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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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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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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)**

- (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**

### Financial Adviser to the Company



### Independent Financial Adviser to

### Independent Board Committee and Independent Shareholders



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at Units 1302-3, 13/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Thursday, 8 August 2024 at 11:00 a.m. is set out on pages 120 to 125 of 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 website of the Stock Exchange at <https://www.hkexnews.hk> and on the website of the Company at <http://www.sinopharmtech.com.hk>.*

19 July 2024

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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 requires otherwise, the following expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 14 June 2024 in relation to, among others, regarding (i) the Capital Reorganisation; (ii) the Loan Capitalisation; (iii) the grant of Connected Specific Mandate and Specific Mandate; (iv) the Whitewash Waiver; and (v) the Proposed Amendments and the adoption of the New Memorandum and Articles of Association
“Articles of Association”	the articles of association of the Company (as amended from time to time), and “Article” shall mean an article thereof
“Board”	the board of Directors
“Business Day(s)”	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 or “extreme conditions” caused by super typhoons 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
“BVI”	the British Virgin Islands
“Capital Reduction”	the reduction of the issued share capital of the Company by reducing the par value of each Share from HK\$0.3125 to HK\$0.0125 by cancelling the paid up share capital to the extent of HK\$0.3 per Share
“Capital Reorganisation”	collectively the Capital Reduction and the Share Sub-division
“Cayman Court”	the Grand Court of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as amended from time to time
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rule

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## DEFINITIONS

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“Code Independent Board Committee”	pursuant to the requirements of the Takeovers Code, an independent committee of the Board (comprising, Dr. CHENG Yanjie, being the non-executive Director, and Mr. LAU Fai Lawrence, Mr. HSU Dong An and Mr. HEUNG Pik Lun, being all the independent non-executive Directors) established for the purpose of advising 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
“Companies Act”	the Companies Act of the Cayman Islands as consolidated and revised
“Company”	Sinopharm Tech Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (stock code: 8156)
“Connected Shares”	collectively IAM Shares and Quantum Shares
“Connected Specific Mandate”	a specific mandate to be sought from the Independent Shareholders to allot, issue or otherwise deal in the Connected Shares and IAM CPSs, and the Ordinary Shares to be allotted and issued upon exercise of the conversion rights of the IAM CPSs
“Conversion Notice”	a notice which may be served by any holder of CPSs during the Conversion Period stating that such holder wishes to exercise the Conversion Right in respect of one or more CPSs held by such holder, in substantially the form prescribed by the Company from time to time
“Conversion Period”	the period of 10 years starting from the Date of Issue and ending on the 10th anniversary of the Date of Issue
“Converting Shareholder”	a holder of CPSs all or some of whose CPSs are being or have been converted into Ordinary Shares
“CPS Meeting”	a separate general meeting of the holders of the CPS duly convened in accordance with the Articles of Association to consider any matter relating to the CPSs and/or their terms
“CPS(s)”	non-voting convertible preference share(s) of par value of HK\$0.0125 each (after the Capital Reorganisation becomes effective) in the share capital of the Company

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## DEFINITIONS

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“Creative Big”	Creative Big Limited, a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. CHIU Sin Nang Kenny
“Creative Big CPSs”	an aggregate of 547,609,590 CPSs to be allotted and issued to Creative Big pursuant to the terms and conditions of the Creative Big Loan Capitalisation Agreement
“Creative Big Debt”	the total amount of HK\$54,760,959, being the outstanding principal amount and accrued interest under the convertible bonds held by Creative Big up to 31 December 2023
“Creative Big Loan Capitalisation”	the proposed allotment and issue of the CPSs at the subscription price of HK\$0.1 per CPS by capitalising the Creative Big Debt pursuant to the terms and conditions of the Creative Big Loan Capitalisation Agreement
“Creative Big Loan Capitalisation Agreement”	the loan capitalisation agreement dated 14 June 2024 entered into between the Company and Creative Big in respect of the Creative Big Loan Capitalisation
“Date of Issue”	the date that the relevant CPS(s) is/are issued by the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company convened to be held for the purpose of considering and, if thought fit, approving (i) the Capital Reorganisation; (ii) the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement; (iii) the grant of the Connected Specific Mandate; (iv) the Whitewash Waiver; (v) the Creative Big Loan Capitalisation Agreement; (vi) the grant of the Specific Mandate; and (vii) the Proposed Amendments and the adoption of the New Memorandum and Articles of Association
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing Articles of Association”	the existing second amended and restated articles of association of the Company
“Existing Memorandum and Articles of Association”	the existing second amended and restated memorandum and articles of association of the Company

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## DEFINITIONS

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“Existing Memorandum of Association”	the existing second amended and restated memorandum of association of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	the GEM listing sub-committee of the board of directors of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IAM”	Integrated Asset Management (Asia) Limited, a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. YAM Tak Cheung
“IAM CPSs”	an aggregate of 932,541,460 CPSs to be allotted and issued to IAM pursuant to the terms and conditions of the IAM Loan Capitalisation Agreement
“IAM Debt”	the total amount of HK\$123,254,146, being the outstanding principal and accrued interests under the convertible bonds held by IAM up to 31 December 2023
“IAM Loan Capitalisation”	the proposed allotment and issue of the Ordinary Shares and CPSs at the subscription price of HK\$0.1 per Ordinary Share/ CPS by capitalising the IAM Debt pursuant to the terms and conditions of the IAM Loan Capitalisation Agreement
“IAM Loan Capitalisation Agreement”	the loan capitalisation agreement dated 14 June 2024 entered into between the Company and IAM in respect of the IAM Loan Capitalisation
“IAM Shares”	an aggregate of 300,000,000 Ordinary Shares to be allotted and issued to IAM pursuant to the terms and conditions of the IAM Loan Capitalisation Agreement

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## DEFINITIONS

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“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, the independent financial adviser appointed with the approval from the Code Independent Board Committee to advise the LR Independent Board Committee, the Code Independent Board Committee and 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 and in the interests of the Company and the Shareholders as a whole, and make recommendation as to voting
“Independent Shareholders”	Shareholders other than (i) IAM, Quantum, Mr. YAM Tak Cheung and any parties acting in concert with any of them; and (ii) any Shareholders involved or interested in the IAM Loan Capitalisation or the Quantum Loan Capitalisation or the Whitewash Waiver and the respective transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) (and in case of company(ies) and corporation(s), their ultimate beneficial owner(s)) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the GEM Listing Rules)
“Last Trading Day”	14 June 2024, being the date of the IAM Loan Capitalisation Agreement, Quantum Loan Capitalisation Agreement and Creative Big Loan Capitalisation Agreement
“Latest Practicable Date”	17 July 2024, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained in this circular
“Loan Capitalisation”	the proposed allotment and issue of the IAM Shares, Quantum Shares, IAM CPSs and Creative Big CPSs at the subscription price of HK\$0.1 by capitalising the relevant debts pursuant to the terms and conditions of the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the Creative Big Loan Capitalisation Agreement



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## DEFINITIONS

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“LR Independent Board Committee”	pursuant to the requirements of the GEM Listing Rules, an independent committee of the Board (comprising, Mr. LAU Fai Lawrence, Mr. HSU Dong An and Mr. HEUNG Pik Lun, being all the independent non-executive Directors) established for the purpose of advising 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
“New Memorandum and Articles of Association”	the proposed third amended and restated memorandum and articles of association of the Company incorporating the Proposed Amendments to be adopted at the EGM
“New Share(s)”	Share(s) with par value of HK\$0.0125 each in the share capital of the Company including the Ordinary Share(s) and CPS(s), or either one of them as the context may require; immediately after the Capital Reduction and Share Sub-division having become effective
“Ordinary Share(s)”	ordinary share(s) in the share capital of the Company with current par value of HK\$0.3125 each; the par value of the ordinary share(s) will be HK\$0.0125 each (after the Capital Reorganisation becomes effective)
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary”	江西鷺嶼醫療科技有限公司, a company established in the PRC with limited liability and is an indirect and non-wholly-owned subsidiary of the Company
“Proposed Amendments”	the proposed amendments to the Existing Memorandum and Articles of Association currently in force, details of which are set out in Appendix III to this circular
“Public Float Requirement”	the requirement under the GEM Listing Rules applicable to the Company that not less than a specified percentage of the shares which are listed on the Stock Exchange shall be held by the public for the purpose of the GEM Listing Rules
“Quantum”	Quantum Worldwide Investment Limited, a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. YAM Tak Cheung

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## DEFINITIONS

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“Quantum Debt”	an amount of HK\$15,000,000 being the outstanding principal under the Quantum Loan Agreement
“Quantum Loan Agreement”	a loan agreement dated 8 November 2023 entered into between the Company as borrower and Quantum as lender for a term loan facility of HK\$20,000,000 to the Company
“Quantum Loan Capitalisation”	the proposed allotment and issue of the Ordinary Shares at the subscription price of HK\$0.1 by capitalising the Quantum Debt pursuant to the terms and conditions of the Quantum Loan Capitalisation Agreement
“Quantum Loan Capitalisation Agreement”	the loan capitalisation agreement dated 14 June 2024 entered into between the Company and Quantum in respect of the Quantum Loan Capitalisation
“Quantum Shares”	an aggregate of 150,000,000 Ordinary Shares to be allotted and issued to Quantum pursuant to the terms and conditions of the Quantum Loan Capitalisation Agreement
“Relevant Events”	any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary
“Relevant Period”	the period commencing from 15 December 2023, being the date falling six months before the date of the Announcement, up to and including the Latest Practicable Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share Registrar”	Tricor Standard Limited
“Share Sub-division”	the proposed sub-division of each authorised but unissued Share into twenty-five (25) authorised and unissued New Shares
“Share(s)”	the share(s) in the share capital of the Company, including the Ordinary Share(s) and CPS(s), or either one of them as the context may require
“Shareholder(s)”	registered holder(s) of the Share(s) or the New Share(s), as the case may be
“Specific Mandate”	a specific mandate to be sought from the Shareholders to allot, issue or otherwise deal in Creative Big CPSs and the Ordinary Shares to be allotted and issued upon exercise of the conversion rights of the Creative Big CPSs

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## DEFINITIONS

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“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers
“Trading Day(s)”	a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of IAM to make a mandatory general offer for all the securities of the Company not already owned or acquired by IAM, Quantum, Mr. YAM Tak Cheung and parties acting in concert with any of them under Rule 26 of the Takeovers Code which would otherwise arise as a result of the issue of IAM Shares and Quantum Shares under the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement, respectively
“%”	per cent.

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## EXPECTED TIMETABLE

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### EXPECTED TIMETABLE OF THE CAPITAL REORGANISATION

The expected timetable for the Capital Reorganisation is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Capital Reorganisation, including the availability and compliance with any requirements imposed by the Cayman Court, and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates unless otherwise specified.

<b>Events</b>	<b>Tentative Date</b>
Latest date and time for lodging transfer documents in order to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Friday, 2 August 2024
Closure of register of members for determining the entitlement to attend and vote at the EGM . . . . .	Monday, 5 August 2024 to Thursday, 8 August 2024 (both dates inclusive)
Latest date and time for lodging forms of proxy for the EGM. . . . .	11:00 a.m. on Tuesday, 6 August, 2024
Record date for determining attendance and voting at the EGM . . . . .	Thursday, 8 August 2024
Date and time of the EGM . . . . .	11:00 a.m. on Thursday, 8 August 2024
Publication of announcement of poll results of the EGM . . . . .	Before 7:00 p.m. Thursday, 8 August 2024

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## EXPECTED TIMETABLE

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The following events are conditional upon the results of the EGM and the approval from the Cayman Court, and therefore, the dates are tentative only:

Events	Tentative Date
Expected time of the Cayman Court hearing of petition to confirm the Capital Reduction and the Share Sub-division . . . . .	Tuesday, 29 October 2024
Effective date of the Capital Reduction. . . . .	Tuesday, 5 November 2024
Commencement of dealing in the New Shares . . . . .	Tuesday, 5 November 2024
First day of free exchange of existing share certificates for new share certificates for the New Shares . . . . .	Tuesday, 5 November 2024
Last day for free exchange of existing share certificates for new share certificates for the New Shares . . . . .	Tuesday, 10 December 2024



**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. HO Kam Kin  
Ms. KWOK Shuk Yi

*Non-executive Directors:*

Dr. CHENG Yanjie

*Independent non-executive Directors:*

Mr. LAU Fai Lawrence  
Mr. HSU Dong An  
Mr. HEUNG Pik Lun

*Registered Office in the Cayman Islands:*

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:*

Unit 1802, 18/F,  
Ruttonjee House, Ruttonjee Centre,  
11 Duddell Street, Central,  
Hong Kong

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**

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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### 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.



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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### **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.

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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;

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- 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 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 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.

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## LETTER FROM THE BOARD

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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



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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;

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- 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.



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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

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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;

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- 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.

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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

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### **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,

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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

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- (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;



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- (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.



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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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.

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**LETTER FROM THE BOARD**

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**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:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after the issue of the Connected Shares</b>		<b>Immediately after (a) the issue of the Connected Shares and (b) full conversion of IAM CPSs and Creative Big CPSs (Note 2)</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
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>
	<i>(Note 3)</i>				<i>(Note 4)</i>	
<b>Total</b>	<b><u>183,693,055</u></b>	<b><u>100.0</u></b>	<b><u>633,693,055</u></b>	<b><u>100.0</u></b>	<b><u>2,113,844,105</u></b>	<b><u>100.0</u></b>

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## LETTER FROM THE BOARD

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*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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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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.



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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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### 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*

*The following is the text of a letter from the LR Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.*



**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)**

19 July 2024

*To the Independent Shareholders,*

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION;  
AND  
(2) CONNECTED TRANSACTIONS: LOAN CAPITALISATION  
INVOLVING ISSUE OF ORDINARY SHARES AND  
CONVERTIBLE PREFERENCE SHARES  
UNDER CONNECTED SPECIFIC MANDATE**

**INTRODUCTION**

We refer to the circular of the Company dated 19 July 2024 (the “**Circular**”), of which this letter forms part. Capitalised 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 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 Independent Shareholders as a whole, and make recommendation as to voting.

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 48 to 82 of the Circular. Your attention is also drawn to the letter from the board set out on pages 11 to 43 of the Circular and the additional information set out in the appendix of the Circular.



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**LETTER FROM THE LR INDEPENDENT BOARD COMMITTEE**

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**RECOMMENDATION**

Having considered the Capital Reorganisation, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the grant of the Connected Specific Mandate and the advice of Gram Capital, we are of the view that 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 are on normal commercial terms and are fair and reasonable. Although these transactions are not conducted in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders (including the Independent Shareholders). Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Capital Reorganisation, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the grant of the Connected Specific Mandate.

Your faithfully,

For and on behalf of

LR Independent Board Committee

**Mr. LAU Fai Lawrence**  
*Independent non-executive  
Director*

**Mr. HSU Dong An**  
*Independent non-executive  
Director*

**Mr. HEUNG Pik Lun**  
*Independent non-executive  
Director*



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## LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Code Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.*



### **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)**

19 July 2024

*To the Independent 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;  
AND  
(3) APPLICATION FOR WHITEWASH WAIVER**

#### **INTRODUCTION**

We refer to the circular of the Company dated 19 July 2024 (the “**Circular**”), of which this letter forms part. Capitalised 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 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 and in the interests of the Company and the Shareholders as a whole, and make recommendation as to voting.

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## LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE

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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 48 to 82 of the Circular. Your attention is also drawn to the letter from the board set out on pages 11 to 43 of the Circular and the additional information set out in the appendix of the Circular.

### RECOMMENDATION

Having considered the Capital Reorganisation, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement, the grant of the Connected Specific Mandate and the Whitewash Wavier and the advice of Gram Capital, we are of the view that 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 are on normal commercial terms and are fair and reasonable. Although these transactions are not conducted in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders (including the Independent Shareholders). Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Capital Reorganisation, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement, the grant of the Connected Specific Mandate and the Whitewash Wavier.

Your faithfully,  
For and on behalf of

Code Independent Board Committee

**Dr. CHENG**  
**Yanjie**  
*Non-executive*  
*Director*

**Mr. LAU**  
**Fai Lawrence**  
*Independent*  
*non-executive*  
*Director*

**Mr. HSU**  
**Dong An**  
*Independent*  
*non-executive*  
*Director*

**Mr. HEUNG**  
**Pik Lun**  
*Independent*  
*non-executive*  
*Director*

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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 LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders in respect of the Capital Reorganisation, the Connected Loan Capitalisation (including the Connected Specific Mandate) and the Whitewash Waiver 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

19 July 2024

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

Dear Sir/Madam,

**(1) CAPITAL REORGANISATION;  
(2) CONNECTED TRANSACTIONS: LOAN CAPITALISATION  
INVOLVING ISSUE OF ORDINARY SHARES AND  
CONVERTIBLE PREFERENCE SHARES  
UNDER CONNECTED SPECIFIC MANDATE;  
AND  
(3) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders in respect of (i) the Capital Reorganisation; (ii) the IAM Loan Capitalisation; (iii) the Quantum Loan Capitalisation (together with the IAM Loan Capitalisation, the “**Connected Loan Capitalisation**”); (iv) the grant of the Connected Specific Mandate; and (v) the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 19 July 2024 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.

With reference to the Board Letter, the Board proposes to implement the Capital Reorganisation, involving (i) the Capital Reduction of the par value of each issued Share from HK\$0.3125 to HK\$0.0125 by cancelling the paid up share capital to the extent of HK\$0.3 per Share and the total credit arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction

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## LETTER FROM GRAM CAPITAL

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becoming effective; and (ii) the Share Sub-division of each authorised but unissued Shares into twenty-five (25) authorised but unissued New Shares with a par value of HK\$0.0125 each immediately following the Capital Reduction becoming effective.

On 14 June 2024 (after trading hours of the Stock Exchange), the Company (as issuer) entered into:

- (a) the IAM Loan Capitalisation Agreement with IAM (as subscriber), pursuant to which the Company conditionally agreed to allot and issue, and IAM 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; and
- (b) the Quantum Loan Capitalisation Agreement with Quantum (as subscriber), pursuant to which the Company conditionally agreed to allot and issue, and Quantum 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.

Each of the IAM Loan Capitalisation and the Quantum Loan Capitalisation is conditional on the Capital Reorganisation becoming effective. Completion of the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement are inter-conditional with each other. Upon completion of Connected Loan Capitalisation, the IAM Debt and the Quantum Debt (collectively, the “**Connected Debts**”) shall be deemed to have been fully repaid and the Company shall be released from its obligations under the respective Connected Debts.

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 conditionally agreed to allot and issue, and Creative Big 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 of the Creative Big Debt. Upon completion of the Creative Big Loan Capitalisation, the Creative Big Debt shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Creative Big Debt. Creative Big Loan Capitalisation is conditional on the Capital Reorganisation becoming effective. Completion of 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.

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## LETTER FROM GRAM CAPITAL

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With reference to the Board Letter:

- The Connected Loan Capitalisation constitute connected transactions of the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.
- As at the Latest Practicable Date, IAM was interested in 21,694,520 Ordinary Shares, representing approximately 11.8% of the issued share capital of the Company. Immediately after completion of the Capital Reorganisation and 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 74.4%. Under Rule 26.1 of the Takeovers Code, the allotment and issue 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.
- 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, will 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 and the Quantum Loan Capitalisation, in which IAM and its concert parties will abstain from voting on the relevant resolutions.

The LR Independent Board Committee comprising Mr. LAU Fai Lawrence, Mr. HSU Dong An and Mr. HEUNG Pik Lun (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Capital Reorganisation and the Connected Loan Capitalisation (including the Connected Specific Mandate) are on normal commercial terms and are fair and reasonable; (ii) whether the Capital Reorganisation and the Connected Loan Capitalisation (including the Connected Specific Mandate) are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Capital Reorganisation, the Connected Loan Capitalisation and the Connected Specific Mandate.

The Code Independent Board Committee comprising Dr. CHENG Yanjie, Mr. LAU Fai Lawrence, Mr. HSU Dong An and Mr. HEUNG Pik Lun (all being non-executive directors) has been formed to advise the Independent Shareholders on (i) whether the Capital Reorganisation, the Connected Loan Capitalisation (including the Connected Specific Mandate) and the Whitewash Waiver are fair and reasonable to the Shareholders as

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## LETTER FROM GRAM CAPITAL

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a whole; and (ii) how the Independent Shareholders should vote in respect of the Capital Reorganisation, the Connected Loan Capitalisation, the Connected Specific Mandate and the Whitewash Waiver.

We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the LR Independent Board Committee, the Code 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 a connected transaction of the Company as set out in the Company's circular dated 21 October 2022. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid past engagement, 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 LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders.

Having considered the above and that (i) none of the circumstances as set out under Rule 17.96 of the GEM Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial advisory engagement and would not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

### **BASIS OF OUR OPINION**

In formulating our opinion to the LR Independent Board Committee, the Code 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 Capital Reorganisation, the Connected Loan Capitalisation (including the grant of the Connected Specific Mandate) and the Whitewash Waiver. We consider that we have taken sufficient

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## LETTER FROM GRAM CAPITAL

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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 and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed “1. RESPONSIBILITY STATEMENT” of Appendix II to the Circular. 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, IAM, Quantum, 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 Capital Reorganisation, the Connected Loan Capitalisation (including the Connected Specific Mandate) and the Whitewash Waiver. 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 will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any 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 Capital Reorganisation, the Connected Loan Capitalisation (including the Connected Specific Mandate) and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

#### **I. Background of the Capital Reorganisation, the Connected Loan Capitalisation and the Connected Specific Mandate**

##### ***Information on the Group***

With reference to the Board Letter, the principal activities of the Group are the provision of “Internet Plus” services (supply chain). As advised by the Directors, such services mainly relate to product supply chain services involving e-commerce platforms operators.



## LETTER FROM GRAM CAPITAL

### *Financial performance*

Set out below are the consolidated financial performance of the Group for the two years ended 30 June 2023 and for the six months ended 31 December 2023 (“1H2023/24”) (with comparative figures) as extracted from the Company’s annual report for the year ended 30 June 2023 (“2022/23 Annual Report”) and the Company’s interim report for 1H2023/24 (“2023/24 Interim Report”) respectively:

	For six months ended 31 December 2023 <i>HK\$'000</i> <i>(unaudited)</i>	For six months ended 31 December 2022 <i>HK\$'000</i> <i>(unaudited)</i>	Year-on-year change %	For the year ended 30 June 2023 <i>HK\$'000</i> <i>(audited)</i>	For the year ended 30 June 2022 <i>HK\$'000</i> <i>(audited)</i>	Year-on-year change %
Revenue	18,844	15,025	25.42	42,839	40,985	4.52
— Lottery-related services	Nil	Nil	N/A	Nil	1,841	N/A
— “Internet Plus” services (solution)	Nil	Nil	N/A	Nil	362	N/A
— “Internet Plus” services (supply chain)	18,844	10,825	74.08	37,077	29,670	24.96
— Manufacturing and distribution of personal protective equipment	Nil	4,200	N/A	5,762	9,112	(36.76)
Other income and gains	2,120	28,003	(92.43)	106,849	39,350	171.53
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>	
Profit/(loss) for the year/period	(2,239)	15,769	N/A	(10,100)	(93,771)	(89.23)

#### *Notes:*

- Including gain on disposal of subsidiaries, interest income and others.
- Including compensation income from sales of locked-up Consideration Shares (as defined below), government subsidies, gain on settlement of amount due to a director, gain on settlement of amount due to a related party, loss on dilution of interests in associates, interest income and others.
- Including interest income, gain on settlement of amount due to a director, government subsidies, compensation income relating to Profit Guarantee (as defined below) and others.
- Including interest income, write-off of consideration payable for acquisition of subsidiaries, write back of other payables, gain on disposal of property, plant and equipment, gain on disposal of subsidiaries, gain on settlement of amount due to a director, gain on settlement of amount due to a related party, government subsidies and others.

#### Comparison of FY2022/23 against FY2021/22

As depicted from the above table, the Group’s revenue for the year ended 30 June 2023 (“FY2022/23”) was approximately HK\$42.8 million, representing an increase of approximately 4.52% as compared to that for the year ended 30 June 2022 (“FY2021/22”). With reference to the 2022/23 Annual Report and as confirmed by the Directors, (i) the Group’s revenue from “Internet Plus” supply chain business for FY2021/22 mainly derived from the supply of



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## LETTER FROM GRAM CAPITAL

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quarantine-related products (including surgical masks, anti-viral oral drugs targeted at COVID-19 and testing kits for COVID-19); and (ii) the increase in revenue from “Internet Plus” supply chain business for FY2022/23 was mainly a result of the co-operation agreement entered between the Group and a big health products supplier for rendering “Internet Plus” supply chain services regarding the supply of healthcare products through the PRC and Hong Kong district in the post-pandemic era.

With reference to the 2022/23 Annual Report and as advised by the Directors:

- The Group was not able to secure any new contracts for its lottery-related business during FY2022/23. The Group fulfilled its obligation under the existing contracts during FY2021/22 and did not generate revenue from provision of lottery-related services since FY2022/23.
- The Group conducted trial runs of its anti-counterfeiting solution business (categorised as the Group’s “Internet Plus” solution services) during FY2021/22 and attempted to secure a major contract with PRC government authority for this business. Nevertheless, due to resignation of Mr. Liao Zhe (the then executive director and chief operating officer of the Company who was fully responsible for the Group’s anti-counterfeiting solution business) in September 2022 and that the Group failed to secure the aforesaid major contract, the Group ceased its anti-counterfeiting solution business and did not generate revenue from provision of “Internet Plus” solution services since FY2022/23.
- Revenue from the Group’s personal protective equipment business for FY2022/23 decreased compared to that for FY2021/22 as market demand for personal protective equipment decreased due to receding impact of pandemic and good progress in resumption of social activities.

The Group’s loss for FY2022/23 decreased from approximately HK\$93.8 million for FY2021/22 to approximately HK\$10.1 million for FY2022/23, representing a decrease of approximately 89.23%. With reference to the 2022/23 Annual Report, such decrease was mainly due to the combined effect of (i) recognition of compensation income relating to profit guarantee of approximately HK\$92.8 million; (ii) the Group’s strengthened efforts in cost control which resulted in less administrative and operating expenses; (iii) increase in net impairment loss on compensation income receivables; and (iv) recognition of loss on deemed disposal of associate as a result of capital contribution made by other shareholders of the associate (which led to dilution of the Group’s shareholding in this associate).

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## LETTER FROM GRAM CAPITAL

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With reference to the 2022/23 Annual Report and as advised by the Directors:

- (i) On 4 January 2019, a wholly-owned subsidiary of the Company, as purchaser (the “**Purchaser**”), entered into a sale and purchase agreement (the “**SPA**”) with a vendor (the “**Vendor**”) in relation to acquisition of 100% equity interest in Hero Global Holdings Limited (the “**Target Company**”), for a consideration of HK\$139.10 million, which was satisfied by allotment and issue of 650,000,000 Shares (the “**Consideration Shares**”) by the Company to the Vendor. Completion of the aforesaid acquisition took place on 6 May 2019 and the Target Company became a wholly-owned subsidiary of the Company.
- (ii) The Vendor provided profit guarantee to the Purchaser in respect of the Target Company (the “**Profit Guarantee**”). The Consideration Shares, upon allotment and issue, are subject to lock-up arrangement and shall be released from the lock-up arrangement upon satisfaction of the Profit Guarantee. In the event that the Vendor fails to compensate the Purchaser in accordance with the SPA (in respect of the Profit Guarantee), the Purchaser shall have the right to sell the locked-up Consideration Shares in return for such compensation amount in cash.
- (iii) As the Target Company failed to meet the guaranteed profit, on 23 May 2022, the Purchaser and the Vendor signed a confirmation letter and mutually agreed on the amount of the compensation to be approximately HK\$92.8 million.
- (iv) As the Vendor failed to settle the aforesaid compensation, the Purchaser exercised its right to sell the locked-up Consideration Shares. During FY2022/23, 530,200,000 locked-up Consideration Shares were sold by the Company in return for the compensation of approximately HK\$16.4 million. As at 30 June 2023, market value of the then remaining locked-up Consideration Shares was approximately HK\$1.7 million, and thus an impairment loss of approximately HK\$74.8 million was recognised in relation to the compensation income receivables.

### Comparison of 1H2023/24 against 1H2022/23

The Group’s revenue for 1H2023/24 was approximately HK\$18.8 million, representing an increase of approximately 25.42% as compared to that for the six months ended 31 December 2022 (“**1H2022/23**”); while the Group’s revenue from the provision of “Internet Plus” supply chain services under the “Internet Plus” business for 1H2023/24 increased by approximately 74.08% as compared to that for 1H2022/23. As advised by the Directors, such increase was mainly attributable to the expansion of the Group’s “Internet Plus” supply chain business to the distribution of Chinese patent medicines and healthcare products in the PRC. With reference to the 2023/24 Interim Report and as confirmed by the Directors, the Group did not generate revenue from its personal protective equipment

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## LETTER FROM GRAM CAPITAL

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business for 1H2023/24 and the Group reallocated its resources to exit from such business and increased its investment in “Internet Plus” supply chain services for the healthcare industry.

Despite the aforesaid increase in the Group’s revenue, the Group recorded loss of approximately HK\$2.2 million for 1H2023/24, as opposed to profit of approximately HK\$15.8 million for 1H2022/23. With reference to the 2023/24 Interim Report, such turnaround was primarily due to significant reduction in other income and gains due to absence of (a) one-off compensation income from sales of locked-up Consideration Shares; and (b) one-off gain on settlement of loans by shares issuance, for 1H2023/24, as partially offset by decrease in administrative and operating expenses.

### *Financial position and prospects*

Set out below are the consolidated financial position of the Group as at 30 June 2022, 30 June 2023 and 31 December 2023, as extracted from the 2022/23 Annual Report and the 2023/24 Interim Report:

	<b>As at 31 December 2023</b>	<b>As at 30 June 2023</b>	<b>As at 30 June 2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Bank balances and cash	8,505	1,776	2,991
Net current liabilities	(192,037)	(186,191)	(202,205)
Net liabilities	(182,509)	(179,754)	(173,397)

As depicted from the above table, the Group recorded net current liabilities and net liabilities as at 30 June 2022, 30 June 2023 and 31 December 2023. As at 31 December 2023, the Group’s net current liabilities and net liabilities were approximately HK\$192.0 million and HK\$182.5 million respectively.

With reference to the 2023/24 Interim Report, the Group will continue focus on the “Internet Plus” supply chain business in the future. Leveraging on its experience and know-how in “Internet Plus” supply chain services and its cooperative 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 Group will also continue to explore other opportunities for the development of its “Internet Plus” business, including joint ventures with various industry players for “Internet Plus” solutions, to jointly develop possibilities for the application of “Internet Plus” technologies in various fields, thereby opening up new development opportunities for the Group.

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## LETTER FROM GRAM CAPITAL

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With reference to the Board Letter, 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, the PRC and they are responsible for managing sales transactions with customers and conducted frequent visits to understand the latest demand of Chinese patent medicines. As healthcare industry chain 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.

We also discussed with the Directors regarding the business development of the Group's "Internet Plus" supply chain business. We understood from the Directors that:

- (i) the Group is exploring various expansion opportunities for its "Internet Plus" supply chain business, including diversification of product offerings and co-operation with existing and potential platform operators;
- (ii) the Group also assessed possibility of expanding its "Internet Plus" supply chain business (a) to other geographical locations; and (b) through acquisitions of companies which engage in the same business; and
- (iii) the aforesaid business opportunities are still in preliminary stage and are expected to be materialised after completion of the Connected Loan Capitalisation and the Creative Big Loan Capitalisation where the Group's financial position would be significantly improved.

In light of the above, we consider the Group's financial positions had affected the possibility of business expansion of the Group and we concur with the Directors that the Group would be better prepared for various business opportunities after completion of the Connected Loan Capitalisation and the Creative Big Loan Capitalisation.

### *Auditor's opinion and going concern*

With reference to the 2022/23 Annual Report, the Group's auditors expressed (i) qualified opinion on the Group's consolidated financial statements for FY2021/22 and FY2022/23; and (ii) that there was 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.

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According to the Hong Kong Standard on Auditing 705 (Revised) “Modifications to the Opinion in the Independent Auditor’s Report”, a qualified opinion is expressed by the auditor if the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements. As stated in the independent auditor’s report contained in the Company’s annual report for each of FY2021/22 and FY2022/23, except for the possible effects of the matters described in the section headed “Basis of Qualified Opinion” of their independent auditor’s report (the extract of which are set out in Appendix I to the Circular), the Group’s consolidated financial statements give a true and fair view of the Group’s consolidated financial position as at 30 June 2022 and 2023, and the Group’s consolidated financial performance and consolidated cash flows for FY2021/22 and FY2022/23.

As noted from the section headed “Basis of Qualified Opinion” of the independent auditor’s report for FY2022/23, the matters which caused the Company’s auditor to express a qualified opinion only affects (i) the Group’s consolidated financial position as at 30 June 2022; and (ii) the Group’s consolidated financial performance for FY2022/23. Accordingly, the Directors advised us that the Group’s consolidated financial position as at 30 June 2023 is free from material misstatement.

### ***Information on IAM and Quantum***

With reference to the Board Letter, the subscribers of the Connected Loan Capitalisation (namely, IAM and Quantum) were BVI business companies incorporated with limited liability. IAM is a Hong Kong-based investment company primarily engaged in public and private equity investments, with expertise in telecommunications, finance and technology. Quantum is principally engaged in investment holding. As at the Latest Practicable Date, IAM was a substantial Shareholder. Both IAM and Quantum are wholly-owned by Mr. YAM Tak Cheung, a professional investor who has extensive experience in investment in securities. Both IAM and Quantum are connected persons of the Company under Chapter 20 of the GEM Listing Rules.

### ***Reasons for the Capital Reorganisation and the Connected Loan Capitalisation***

#### ***Connected Loan Capitalisation***

With reference to the Board Letter, the Company recorded capital deficiency attributable to the equity holders of the Company of approximately HK\$176.3 million as at 31 December 2023, mainly including an amount due to IAM of approximately HK\$105.7 million and 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 FY2022/23, the Group only generated net cash inflow of

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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 Group's net liabilities 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 1H2023/24, the Directors are of the view that the Group is unlikely to have adequate resources to repay the Quantum Debt on its due dates. As such, the Company further negotiated with Quantum and IAM for the Quantum Loan Capitalisation and IAM Loan Capitalisation with a view to alleviate the cashflow pressure of the Group.

As aforementioned, with reference to the 2022/23 Annual Report, the Group's auditor expressed (i) a qualified opinion on the Group's consolidated financial statements for FY2022/23; and (ii) that there was 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.

As advised by the Directors, in light of the aforesaid, the Group had formulated certain measures and arrangements, including, the Connected Loan Capitalisation and the Creative Big Loan Capitalisation.

We noted that the Connected Debts and the Creative Big Debt amounted to approximately HK\$193.0 million in aggregate. Based on the Group's financial position as at 31 December 2023 (i.e. net current liabilities of approximately HK\$192.0 million and net liabilities of approximately HK\$182.5 million), upon completion of the Connected Loan Capitalisation and the Creative Big Loan Capitalisation, the Group would greatly relieve from net current liability and net liability positions. Furthermore, the Connected Loan Capitalisation reflects confidence of IAM and its ultimate beneficial owner towards the Group.

### *Financing alternatives*

After discussion with the Directors, we concur with the Directors that the Group's recent net current liability and net liability position hindered the ability of the Company to raise finance by way of equity and debt financing, which in turn hindered the Group's operation and future business growth. Nevertheless, the Board considered the feasibilities of other available financing means before resorting to the Connected Loan Capitalisation, including debt financing and other equity financing.



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In respect of debt financing, we noted from the Board Letter that due to the increasing interest rates in the debt financing market and the net liability of the Group, the Directors are of the view that the Group may not be able to obtain 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 requirements of loan facilities from banks. However, banks usually request valuable assets for pledging and conduct in-depth due diligence on the Group's financial position. Since the Group is unable to provide valuable assets for pledging and the net liability position of the Group is unlikely to be resolved shortly. Therefore, the Directors found it difficult to get new bank loan facilities. Given the purpose of the Connected Loan Capitalisation is to reduce the Company's high indebtedness level and improve the net liability position, we consider that debt financing (such as issuance of convertible bonds and external borrowings) would not serve such purpose.

In respect of other equity financing, we noted from the Board Letter that (i) under the Group's current financial performance, independent investors or the existing Shareholders may not find it attractive to participate in the Company's equity financing exercise; (ii) there is relatively higher uncertainty in the amount of fund raised from pre-emptive fund-raising exercises (such as rights issue and open offer) if it is not fully underwritten; and (iii) the Company tried to approach placing agents for soliciting places for subscription of new shares for repayment of outstanding amount (including accrued interests) due to IAM, Quantum and Creative Big, but no placing agent showed interests to participate in the Company's proposed share placing exercise. The Company has no confidence to seek for sufficient number of independent places and raise sufficient funding to repay outstanding amount (including accrued interests) due to IAM, Quantum and Creative Big.

Based on the Group's financial performance and financial position as analysed in the sub-section headed "Information on the Group" above (loss-making for FY2021/22, FY2022/23 and 1H2023/24, net current liabilities and net liabilities as at 30 June 2022, 30 June 2023 and 31 December 2023), we concur with the Directors that (i) the Group's ability to raise finance by way of equity and debt financing is hindered; and (ii) the Connected Loan Capitalisation is an appropriate mean to settle the Connected Debts.

### *Capital Reorganisation*

With reference to the Board Letter, the Capital Reorganisation, upon effective, will result in the par value of Shares and nominal value of New Shares to HK\$0.0125 each. In light of the closing prices of Shares (being below par value) recorded in recent period, the Directors are of the view that the Capital Reorganisation would enhance the flexibility of the Company to issue new Shares for the Loan Capitalisation and in the future since the Company is not permitted, without order of the Cayman Court, to issue new Shares below their par value (i.e. HK\$0.3125 per Share before the Capital Reorganisation becoming effective).

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We reviewed the historical closing prices of Shares and noted that the closing prices of Shares were below the par value from 21 July 2023 up to and including Latest Practicable Date.

In light of the aforesaid and that the Capital Reorganisation is one of the conditions precedent of each of the Connected Loan Capitalisation, we are of the view that it is necessary for the Company to conduct the Capital Reorganisation.

### *Conclusion*

Having considered that:

- (i) the Connected Debts can be settled without any cash outflow for the Group;
- (ii) the Connected Loan Capitalisation is an appropriate mean to settle the Connected Debts, which would significantly improve the Group's financial position; and
- (iii) completion of the Capital Reorganisation is one of the conditions precedent of the Connected Loan Capitalisation,

we are of the view that, although the Capital Reorganisation and the Connected Loan Capitalisation are not conducted in the ordinary and usual course of business of the Company, the Capital Reorganisation and the Connected Loan Capitalisation are in the interest of the Company and the Shareholders as a whole.

## **II. Principal Terms of the Capital Reorganisation**

As at the Latest Practicable Date, the authorised share capital of the Company was 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.

With reference to the Board Letter, 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



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- (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.

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 set 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 extracted from the Board Letter:

	<b>As at the Latest Practicable Date</b>	<b>Immediately after the Capital Reorganisation becoming effective</b>
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

With reference to the Board Letter, the Capital Reorganisation will not result in any change in 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. Having considered the above, we are of the view that the terms of the Capital Reorganisation are fair and reasonable.

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### III. Principal Terms of the Connected Loan Capitalisation

Set out below are the summarised terms of the Connected Loan Capitalisation as contemplated under IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement, details of which are set out under the sub-sections headed “(A) IAM Loan Capitalisation Agreement” and “(B) Quantum Loan Capitalisation Agreement” of the Board Letter:

	<b>IAM Loan Capitalisation Agreement</b>	<b>Quantum Loan Capitalisation Agreement</b>
<b>Date:</b>	14 June 2024	14 June 2024
<b>Parties:</b>	The Company (as issuer) and IAM (as subscriber)	The Company (as issuer) and Quantum (as subscriber)
<b>Subject matter:</b>	<p>Subject to the fulfilment of the conditions precedent, 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.</p> <p>The interests in respect of all outstanding principal under the IAM Debt from 18 January 2022 to 31 December 2023 was calculated at the rate of 10.0% per annum on a simple and daily basis.</p> <p>The interests in respect of all outstanding principal under the IAM Debt 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.</p> <p>With reference to the Board Letter, the accrued interest for the period from 1 January 2024 up to the Latest Practicable Date was 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.</p>	<p>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.</p> <p>With reference to the Board Letter, as at the Latest Practicable Date, the outstanding interest was HK\$461,644. The outstanding interests 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.</p>

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### IAM Loan Capitalisation Agreement

### Quantum Loan Capitalisation Agreement

**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.

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

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

Set out below are the major terms of the CPS (including the IAM CPS) as extracted from the Board Letter (We also searched for Comparable CPS Transactions (as defined below), including the subscription of convertible preference shares conducted by Cybernaut International Holdings (stock code: 1020) (“**Cybernaut Transaction**”), ShiFang Holding Limited (stock code: 1831) (“**ShiFang Transaction**”), Aidigong Maternal & Child Health Limited (stock code: 286) (“**Aidigong Transaction**”) and Global Bio-chem Technology Group Company Limited (stock code: 809) (“**Global Bio-chem Transaction**”), for comparison. Details of the Comparable CPS Transactions (as defined below) are set out in the section headed “Comparable convertible preference shares subscription transactions” below):

**Issuer**

The Company

**Par value**

HK\$0.0125 each

**Maturity Date**

CPSs are perpetual and have no maturity date

**Interest rate**

Nil

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### *Subscription price*

HK\$0.1 per CPS

### *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.

We noted that the conversion ratio for all Comparable CPS Transactions (as defined below) is 1 convertible preference share for 1 ordinary share. We consider the conversion ratio of the CPS is normal as compared to those of the Comparable CPS Transactions (as defined below).

### *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.

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We noted that conversion of relevant convertible preference shares for three of the Comparable CPS Transactions (as defined below), being Cybernaut Transaction, ShiFang Transaction and Global Bio-chem Transaction is subject to (a) that the holder of the relevant convertible preference shares of the Comparable CPS Transactions (as defined below) will not trigger a mandatory general offer obligation under the Takeovers Code upon conversion; and/or (b) that the conversion of the relevant convertible preference shares of the Comparable CPS Transactions (as defined below) will not reduce public float of relevant issued ordinary shares of the subject company of the Comparable CPS Transactions (as defined below) to less than 25% or any given percentage as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). In addition, all convertible preference shares of the Comparable CPS Transactions (as defined below) are subject to listing approval by the Stock Exchange. We consider the conversion restriction of the CPS is normal as compared to those of the Comparable CPS Transactions (as defined below).

### *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, 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.

Our analysis on this preferred distribution clause is set out under the section headed “Analysis on the preferred distribution of the CPSs” below.

### *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.

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We noted that (i) the holders of relevant convertible preference shares for one of the Comparable CPS Transactions (as defined below), being Global Bio-chem Transaction, are not entitled to any dividend; (ii) the holders of relevant convertible preference shares for two of the Comparable CPS Transactions (as defined below), being Cybnaut Transaction and ShiFang Transaction, are entitled to receive dividends *pari passu* with holders of the relevant ordinary shares of the subject company; and (iii) the holders of the relevant convertible preference shares for one of the Comparable CPS Transactions (as defined below), being Aidigong Transaction, are entitled to receive dividends by way of preferred distribution.

As the holders of CPSs are not entitled to any dividend or distribution other than the preferred distribution, we consider the dividend rights of the holders of CPSs are favourable to the Company as compared to majority of the Comparable CPS Transactions (as defined below).

### ***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 Meeting subject to the terms of the Articles of Association and the laws of the Cayman Islands.

We noted that the relevant convertible preference shares of the Comparable CPS Transactions (as defined below) are “non-voting” in nature (except for specific circumstances such as resolution for winding-up of the company, resolution which if passed would vary or abrogate the rights or privileges of the holders of convertible preference shares or vary the restrictions to which the convertible preference shares are subject). The “non-voting” nature under voting rights clause of the CPS is similar with the “non-voting” nature of relevant convertible preference shares of the Comparable CPS Transactions (as defined below) and thus it is normal as compared to those of the Comparable CPS Transactions (as defined below).

### ***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;

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- (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.

We noted that except for one of the Comparable CPS Transactions (as defined below), being the Aidigong Transaction, that confers the rights to holders of relevant convertible preference shares to receive an amount greater than the nominal amount of relevant convertible preference shares upon occurrence of events similar to the Relevant Events, all other Comparable CPS Transactions (as defined below), upon occurrence of events similar to the Relevant Events, confer holders of relevant convertible preference share the rights to be paid (i) the nominal amount of the convertible preference shares in priority to other class of shares; and (ii) the remaining assets and funds after distribution of (i) above, on a *pari passu* basis among holders of any class of shares. We consider the return of capital mechanism of the CPS is normal as compared to majority of the Comparable CPS Transactions (as defined below).

### ***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.

We noted that (i) there was no redemption rights in relation to the relevant convertible preference shares for two of the Comparable CPS Transactions (as defined below), being Cybernaut Transaction and ShiFang Transaction; (ii) the relevant convertible preference shares for one of the Comparable CPS Transactions (as defined below), being Aidigong Transaction, is redeemable at the discretion of the issuer and the holders of the relevant convertible preference shares; and (iii) the relevant convertible preference shares for one of the Comparable CPS Transactions (as defined below), being Global Bio-chem Transaction, is redeemable solely at the discretion of the issuer.



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We consider that the redemption rights of the CPS enable the Company the flexibility to redeem the CPS as it deems necessary, and it is favourable to the Company as compared to those of the Comparable CPS Transactions (as defined below).

### *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 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 GEM Listing Rules.

We consider the transferability clause of the CPS is normal as it ensures the compliance with the GEM Listing Rules (in particular, Chapter 20 of the GEM Listing Rules).

Terms of the IAM CPS are identical to the Creative Big CPS. Detailed terms of the IAM CPS are set out in the section headed “PRINCIPAL TERMS OF CPSs” of the Board Letter.

### *Analysis on adopted interest rates for IAM Debt*

As aforementioned and pursuant to the IAM Loan Capitalisation Agreement:

- The interests in respect of all outstanding principal under the IAM Debt from 18 January 2022 (being the date immediately after the IAM Debt maturity date of 17 January 2022) to 31 December 2023 was calculated at the rate of 10% per annum (the “**Adopted Interest Rate Up To Cut-off Date**”) on a simple and daily basis.
- The interests in respect of all outstanding principal under the IAM Debt from 1 January 2024 up to the date of the completion of the IAM Loan Capitalisation shall be reduced to 5.0% per annum (the “**Adopted Interest Rate After Cut-off Date**”) on a simple interest and daily basis.

We noticed that:

- Coupon rate of the IAM Debt prior to maturity was 10% per annum. The Adopted Interest Rate Up To Cut-off Date equals to the IAM debt coupon rate prior to maturity. The Adopted Interest Rate After Cut-off Date is significantly reduced as compared to the Adopted Interest Rate Up To Cut-off Date.

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- Coupon rate of the Creative Big Debt prior to maturity was 7% per annum. Pursuant to the Creative Big Loan Capitalisation Agreement, the interests in respect of all outstanding principal under the Creative Big Debt shall be remained at the rate of 7% per annum on a simple interest and daily basis from 21 February 2023 (being the date immediately after the Creative Big Debt maturity date of 20 February 2023). There was no reduction in the adopted interest rate as compared to the coupon rate.

Given the above, we consider that (i) the Adopted Interest Rate Up To Cut-off Date is fair and reasonable as it equals to the coupon rate of the IAM Debt prior to maturity, whereas the adopted interest rate up to cut-off date pursuant to the Creative Big Loan Capitalisation Agreement (being an agreement with Independent Third Party) also equals to the coupon rate of the Creative Big Debt prior to maturity; and (ii) the Adopted Interest Rate After Cut-off Date is fair and reasonable as it was reduced as compared to the Adopted Interest Rate Up To Cut-off Date, whereas there was no reduction under the Creative Big Loan Capitalisation Agreement (being an agreement with Independent Third Party).

For avoidance of doubt, both of the Adopted Interest Rate Up To Cut-off Date and the Adopted Interest Rate After Cut-off Date form part of the IAM Loan Capitalisation Agreement which is subject to fulfilment of conditions precedent and is yet to be effective.

### *Analysis on the subscription price*

With reference to the Board Letter, the subscription price of each of the Connected Shares and the IAM CPSs is HK\$0.1 (the “**Subscription Price**”), which represents:

- (i) a discount of approximately 5.66% to the closing price of HK\$0.106 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 18.70% to the closing price of HK\$0.123 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day (the “**LTD Discount**”);
- (iii) a discount of approximately 18.70% 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 (the “**5 Days Discount**”);
- (iv) a discount of approximately 13.19% 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;

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- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 17.07% represented by the theoretical diluted price of HK\$0.102 per Ordinary Share to the benchmarked price of HK\$0.123 per Ordinary Share; and
- (vi) 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).

### *Share price performance*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 June 2023 to the Latest Practicable Date, being a period of approximately one year prior to the Last Trading Day and up to the Latest Practicable Date (the “**IFA Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares:



Source: the Stock Exchange's website

*Note:* The daily closing prices of Shares for the period from 1 June 2023 up to 28 August 2023 were adjusted for the Company's share consolidation of every twenty-five (25) issued and unissued ordinary shares into one (1) consolidated share which became effective on 29 August 2023.

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## LETTER FROM GRAM CAPITAL

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During the IFA Review Period, the highest and lowest closing prices of Shares as quoted on the Stock Exchange were HK\$0.425 per Share recorded on 5 June 2023 and 6 June 2023, and HK\$0.090 recorded on 23 April 2024, respectively, with average of approximately HK\$0.175 per Share and median of HK\$0.131 per Share. Despite the Subscription Price is lower than the closing prices of Shares for majority of the trading days during the IFA Review Period and is lower than the average and median of the closing prices of Shares during the IFA Review Period, the Subscription Price is nevertheless within the aforesaid range and represents either premiums or discounts of not more than 20% to the closing prices of Shares for the period from 25 March 2024 up to the Last Trading Day (except for 4 June 2024 where the Subscription Price represents a discount of approximately 23.66% to the closing price of HK\$0.131 recorded). The LTD Discount and the 5 Days Discount are within the aforesaid premiums/discounts range for the period from 25 March 2024 up to the Last Trading Day (except for 4 June 2024).

From the beginning of the IFA Review Period, the closing price of Shares increased from HK\$0.350 per Share to HK\$0.425 per Share on 5 June 2023 and 6 June 2023. Subsequently, the closing prices of Shares formed a downward trend (in particular, the sudden drop in closing price of Shares before the effective date (29 August 2023) of share consolidation and change in board lot size) and reached HK\$0.128 per Share on 5 September 2023. Thereafter, the closing price per Share fluctuated between HK\$0.090 per Share to HK\$0.196 per Share until it reached HK\$0.123 per Share on the Last Trading Day.

Subsequent to the publication of the Announcement and up to the Latest Practicable Date, the closing price of Shares fluctuated between HK\$0.094 per Share to HK\$0.123 per Share.

Having enquired into the Directors, we did not identify any specific reason which caused the aforesaid fluctuation of the closing prices of the Shares.

### *Comparable companies*

We attempted to perform trading multiple analysis (including price-to-earnings ratio, price-to-book ratio and price-to-sales ratio), being commonly adopted methods to assess the fairness and reasonableness of the Subscription Price. In this regard, we searched for Hong Kong listed companies which are principally engaged in similar line of business as the Group (being the provision of supply chain services in relation to patent medicines and healthcare products in Hong Kong and the PRC) and derived more than 50% of their revenue from such business. Nevertheless, we are unable to identify any Hong Kong listed companies that met the aforesaid criteria. As such, we consider the trading multiples analysis is inapplicable in this case.

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### *Comparable ordinary shares subscription transactions*

As part of our analysis, we searched for transactions in relation to the subscription of new ordinary shares listed on the Stock Exchange as announced by Hong Kong listed companies during the period from 15 June 2023 up to and including the Last Trading Day which were not lapsed/terminated up to the Latest Practicable Date (the “**Comparable OS Transactions**”), based on the criteria that (i) the new ordinary shares were issued under specific mandate; (ii) the new ordinary shares were issued (a) to set-off outstanding indebtedness; or (b) for subscription by cash with all or majority of the proceeds to be used for repayment of outstanding indebtedness; and (iii) the listed shares of the subject company were not halted/suspended for trading for over one month prior to the date of the relevant agreement. “Whether the transaction is a connected transaction or transaction with independent third party” is not a selection criteria as we intended to include both categories of transactions for comparison. We consider the one-year period prior to the Last Trading Day to be a commonly adopted transaction review period and would allow sufficient, fair and representative comparable transactions to be identified to demonstrate market practices prior to the Last Trading Day. We found 19 transactions which met the said criteria and they are exhaustive. Shareholders should note that although the businesses, operations, prospects and market capitalisation of the Company are not the same as the subject companies of the Comparable OS Transactions, the Comparable OS Transactions illustrate the recent practice in respect of price determination for approved subscription of ordinary shares transactions conducted by Hong Kong listed companies during the past year.

Company name (stock code)	Principal business	Date of announcement	Market capitalisation of the subject company as at the last trading day immediately prior to or on the date of agreement in relation to the respective transaction (HK\$ million)	Premium/ (discount) of the subscription price to closing price per share on the last trading day immediately prior to or on the date of agreement in relation to the respective transaction (%)	Premium/ (discount) of the subscription price to average closing price per share for the last five consecutive trading day prior to the last trading day in relation to the subscription transaction (%)	Connected transaction? (Y/N)
Summi (Group) Holdings Limited (756)	Production and sales of orange juice and related products	10 July 2023	168.9	(9.46)	(8.72)	Y
China Regenerative Medicine International Limited (8158)	Provision of healthcare products and services	14 July 2023	22.3	8.97	24.63	Y
NOIZ GROUP LIMITED (8163)	Financial services business, corporate consulting business and digital platform business	14 July 2023	50.4	21.35	20.27	Y
Bonjour Holdings Limited (653)	Retail and wholesale of beauty and healthcare products	31 August 2023	221.3	(1.59)	4.38	Y

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Company name (stock code)	Principal business	Date of announcement	Market capitalisation of the subject company as at the last trading day immediately prior to or on the date of agreement in relation to the respective transaction (HK\$ million)	Premium/ (discount) of the subscription price to closing price per share on the last trading day immediately prior to or on the date of agreement in relation to the respective transaction (%)	Premium/ (discount) of the subscription price to average closing price per share for the last five consecutive trading day prior to the last trading day in relation to the subscription transaction (%)	Connected transaction? (Y/N)
New City Development Group Limited (456)	Property development and investment and operation of supermarket retail	6 September 2023	51.9	(5.00)	(5.63)	Y
Da Sen Holdings Group Limited (1580)	Manufacturing and sales of plywood products and leasing activities	7 September 2023	104.9	(35.48)	(40.48)	Y
China Greenland Broad Greenstate Group Company Limited (1253)	Provision of landscape design, gardening and the related services	27 September 2023	401.1	(16.67)	(7.41)	Y
China Rongzhong Financial Holdings Company Limited (3963)	Provision of leasing services, due diligence, credit investigation and debt collection	30 October 2023	176.7	(9.52)	(8.21)	Y
InvesTech Holdings Limited (1087)	Provision of network system integration including the provision of network infrastructure solutions, network professional services and smart office software solutions, and the network equipment rental business	7 November 2023	24.6	(9.52)	(9.09)	Y
ZO Future Group (2309)	Operation of a professional football club and other related business; investment in properties; and healthcare and medical related business	12 January 2024	1,944.3	(15.00)	(11.41)	Y
China Beidahuang Industry Group Holdings Limited (39)	Wholesale trading and distribution of food products, including wine and liquor, fruit, vegetables and grains, raw beef and live cattle	25 January 2024	550.9	14.94	21.07	Y
Renaissance Asia Silk Road Group Limited (274)	Gold mining, exploration and trading of gold products; and trading of non-ferrous metal and wholesale and trading of frozen meat	30 January 2024	97.2	(39.13)	(31.71)	N
Enviro Energy International Holdings Limited (1102)	Supply of building materials and aluminium related products	7 February 2024	30.4	(10.71)	(1.19)	Y

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Company name (stock code)	Principal business	Date of announcement	Market capitalisation of the subject company as at the last trading day immediately prior to or on the date of agreement in relation to the respective transaction (HK\$ million)	Premium/ (discount) of the subscription price to closing price per share on the last trading day immediately prior to or on the date of agreement in relation to the respective transaction (%)	Premium/ (discount) of the subscription price to average closing price per share for the last five consecutive trading day prior to the last trading day in relation to the subscription transaction (%)	Connected transaction? (Y/N)
China HK Power Smart Energy Group Limited (931)	Sales and distribution of natural gas and the provision of financial services	7 March 2024	2,569.8	Nil	1.42	Y
China Qidian Guofeng Holdings Limited (1280)	Retail of household appliance, mobile phones, computers, import and general merchandise, provision of maintenance and installation services; and trading of liquor	18 March 2024	134.2	(31.37)	(31.37)	Y
China Silver Technology Holdings Limited (515)	Manufacturing and trading of light emitting diode lighting, and printed circuit boards	19 April 2024	103.6	(16.28)	(16.15)	N
Labixiaoxin Snacks Group Limited (1262)	Manufacturing and sales of jelly products, confectionary products, beverages products and other snacks products	13 May 2024	154.2	(5.17)	(15.77)	Y
Hua Yin International Holdings Limited (989)	Property development and management	14 May 2024	302.6	19.05	6.38	Y
Wenye Group Holdings Limited (1802)	Provision of interior and exterior building decoration and design services	7 June 2024	33.9	(3.51)	(14.06)	Y
				<b>Maximum:</b>	21.35	24.63
				<b>Minimum:</b>	(39.13)	(40.48)
				<b>Average:</b>	(7.58)	(6.48)
				<b>Median:</b>	(9.46)	(8.21)
<b>The Connected Loan Capitalisation</b>			<b>22.6</b>	<b>(18.70)</b>	<b>(18.70)</b>	<b>Y</b>

*Source: the Stock Exchange's website*

*Note:* No outlier was detected based on the mean and standard deviation outlier detection method using two standard deviations away from the mean.



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According to the above table:

- The subscription prices of the Comparable OS Transactions ranged from discount of approximately 39.13% to premium of approximately 21.35% to the respective closing prices of shares on the last trading day immediately prior to or on the date of agreement in relation to the respective subscription transaction.
- The subscription prices of the Comparable OS Transactions ranged from discount of approximately 40.48% to premium of approximately 24.63% to the respective average closing prices of shares for the last five consecutive trading days immediately prior to the date of agreement in relation to the respective subscription transaction.

The LTD Discount and the 5 Days Discount fall within the respective range of the Comparable OS Transactions and represent deeper discounts as compared to the average and median of the Comparable OS Transactions.

### *Comparable convertible preference shares subscription transactions*

As part of our analysis, we searched for transactions in relation to the subscription of new convertible preference shares as announced by Hong Kong listed companies during the period from 15 June 2023 up to and including the Last Trading Day which were not lapsed/terminated up to the Latest Practicable Date (the “**Comparable CPS Transactions**”), based on the criteria that (i) the new convertible preference shares were issued under specific mandate; (ii) the new convertible preference shares were issued (a) to set-off outstanding indebtedness; or (b) for subscription by cash with all or majority of the proceeds to be used for repayment of outstanding indebtedness; and (iii) the listed shares of the subject company were not halted/suspended for trading for over one month prior to the date of the relevant agreement. “Whether the transaction is a connected transaction or transaction with independent third party” is not a selection criteria as we intended to include both categories of transactions for comparison. We only found one transaction which met the said criteria. We consider the number of comparable transaction identified was not sufficient for us to perform a meaningful analysis. Accordingly, we extended the review period to three years from 15 June 2021 up to and including the Last Trading Day. We found 4 transactions which met the said criteria and they are exhaustive. Shareholders should note that although the businesses, operations, prospects and market capitalisation of the Company are not the same as the subject companies of the Comparable CPS Transactions, the Comparable CPS Transactions illustrate the practice in respect of determination of terms (including pricing, conversion ratio, restriction on conversion, preferred distribution, dividends, voting rights, return on capital, redemption and transferability) for approved subscription of convertible preference shares transaction conducted by Hong Kong listed companies during the past three years.

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Company name (stock code)	Principal business	Date of announcement	Market capitalisation of the subject company as at the last trading day immediately prior to or on the date of agreement in relation to the respective transaction (HK\$ million)	Premium/ (discount) of the subscription price to closing price per share on the last trading day prior to the date of agreement in relation to the respective transaction (%)	Premium/ (discount) of the subscription price to average closing price per share for the last five consecutive trading day immediately prior to the date of agreement in relation to the respective transaction (%)	Conversion ratio	Preferred distribution rate	Dividend	Connected transaction? (Y/N)
Cybernaut International Holdings (1020)	Electronic commerce business, internet education services and money lending business	27 May 2022	572.5	4.17	1.76	1:1	Nil	Right to receive any dividends <i>pari passu</i> with the holders of ordinary shares	Y
ShiFang Holding Limited (1831)	Provision of integrated tourism services, publishing and advertising services	5 August 2022	660.4	(18.57)	45.04	1:1	Nil	Right to receive any dividends <i>pari passu</i> with the holders of ordinary shares	Y
Aidigong Maternal & Child Health Limited (286)	Provision of postpartum care services	9 September 2022	2,502.7	(13.79) (Note 1, 3) 20.69 (Note 2, 3)	(10.71) (Note 1, 3) 25.00 (Note 2, 3)	1:1	4% cumulative	By way of preferred distribution	N
Global Bio-chem Technology Group Company Limited (809)	Manufacture and sale of corn refined products and corn based biochemical products	30 November 2023	498.8	78.57	79.86	1:1	Not exceeding 5% non-cumulative	Nil	Y
		<b>Maximum:</b>		78.57	79.86				
		<b>Minimum:</b>		(18.57)	(10.71)				
		<b>Average:</b>		14.21	28.19				
		<b>Median:</b>		4.17	25.00				
The Connected Loan Capitalisation			22.6	(18.70)	(18.70)		5% cumulative	Nil	Y

*Source: the Stock Exchange's website*

*Notes:*

1. The relevant discount was represented by the subscription price for class A convertible preference shares of the subject company.
2. The relevant premium was represented by the subscription price for class B convertible preference shares of the subject company.
3. Class A and class B convertible preference share were treated as two separate data samples to form our data analysis.
4. No outlier was detected based on the mean and standard deviation outlier detection method using two standard deviations away from the mean.

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According to the above table:

- The subscription prices of the Comparable CPS Transactions ranged from discount of approximately 18.57% to premium of approximately 78.57% to the respective closing prices of shares on the last trading day immediately prior to or on the date of agreement in relation to the respective subscription transaction.
- The subscription prices of the Comparable CPS Transactions ranged from discount of approximately 10.71% to premium of approximately 79.86% to the respective average closing prices of shares for the last five consecutive trading days immediately prior to the date of agreement in relation to the respective subscription transaction.

The LTD Discount and the 5 Days Discount represent deeper discounts as compared with those of the Comparable CPS Transactions.

### *Our conclusion on the Subscription Price*

Despite that both the LTD Discount and the 5 Days Discount represent deeper discounts as compared (i) to average and median of the Comparable OS Transactions; and (ii) with those of the Comparable CPS Transactions, having considered that:

- (i) the Subscription Price represents either premiums or discounts of not more than 20% to the closing prices of Shares for the period from 25 March 2024 up to the Last Trading Day (except for 4 June 2024), being a recent period up to the Last Trading Day;
- (ii) the Subscription Price is within the highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the IFA Review Period; and
- (iii) the Subscription Price represents 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,

we consider the Subscription Price to be fair and reasonable.

### *Analysis on the preferred distribution of the CPSs*

With reference to the Board Letter, 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 (the “**CPS Distribution Rate**”) on the aggregate issue price of the CPSs paid by the initial subscriber for its initial subscription (the “**CPS Distribution**”), payable annually in arrears on each anniversary of the Date of Issue until the 5th anniversary of the Date of Issue,

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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.

We noted that (i) there was no preferred distribution/interest under two of the Comparable CPS Transactions; (ii) one of the Comparable CPS Transactions has preferred distribution rate of 4% per annum (cumulative) on the aggregate issue price of the relevant convertible preference shares throughout existence of the relevant convertible preference shares; (iii) one of the Comparable CPS Transactions has preferred distribution rate of not exceeding than 5% per annum (non-cumulative) on the aggregate issue price of the relevant convertible preference shares throughout existence of the relevant convertible preference shares; and (iv) the CPS Distribution Rate is 5% per annum (cumulative) for the first five years since the Date of Issue.

Having considered that (i) the CPS Distribution is only payable by the Company for the first five years from the Date of Issue, whereas (a) the term of the CPS is perpetual; and (b) the preferred distribution for two of the Comparable CPS are throughout the existence of the relevant convertible preference shares; and (ii) the CPS Distribution Rate (which is the Group's finance cost in substance) approximates to the 1-year Hong Kong Interbank Offered Rate of 4.98393% on the Last Trading Day (being a reference of the Group's finance cost should the Group be able to secure loan facilities with financial institutions in Hong Kong), we are of the view that the CPS Distribution Rate to be justifiable.

Detailed terms and conditions of the Connected Loan Capitalisation are set out under the section headed "LOAN CAPITALISATION INVOLVING ISSUE OF ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES UNDER CONNECTED SPECIFIC MANDATE" of the Board Letter.

Taking into account the principal terms of the Connected Loan Capitalisation as discussed above, we are of the view that the terms of the Connected Loan Capitalisation are on normal commercial terms and are fair and reasonable.

### ***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 existing public would be diluted by (i) approximately 52.1 percentage points as a result of the issuance of the Connected Shares; and (ii) approximately 67.0 percentage points as a result of the issuance of the Connected Shares and the full conversion of the IAM CPSs and Creative Big CPSs.

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We are aware of the possible dilution effects as mentioned above. Nonetheless, we consider that the foregoing should be balanced by (i) the reasons for and benefits of the Connected Loan Capitalisation; (ii) that there is a material uncertainty on the Group's continuing business operation and future development if the Group does not relieve its net current liability and net liability positions by conducting the Connected Loan Capitalisation (together with the Creative Big Loan Capitalisation); and (iii) the terms of the Connected Loan Capitalisation being fair and reasonable.

Accordingly, we consider that the possible dilution to the shareholding interests held by the public is acceptable.

***Recommendation on the Capital Reorganisation and the Connected Loan Capitalisation (including the Connected Specific Mandate)***

Having taken into consideration the factors and reasons as stated above, in particular:

- the Connected Loan Capitalisation is to relieve the Group's net current liability and net liability position and it is an appropriate mean to settle the Connected Debts;
- it is necessary for the Company to conduct the Capital Reorganisation as it is one of the conditions precedent of the Connected Loan Capitalisation;
- the Adopted Interest Rate Up To Cut-off Date and the Adopted Interest Rate After Cut-off Date are fair and reasonable based on our analysis above;
- the Subscription Price is fair and reasonable based on our analysis on recent share price performance, and the Group's net liability position above;
- the CPS Distribution Rate is justifiable based on our analysis on CPS Distribution and CPS Distribution Rate above;
- the major terms of the CPS (including conversion rights, restriction on conversion, dividend, voting rights, return of capital, redemption and transferability) are normal as compared to those of the Comparable CPS Transactions; and
- the possible dilution on shareholding interest of existing public Shareholders is acceptable,

we are of the opinion that (i) the Capital Reorganisation and the Connected Loan Capitalisation (including the Connected Specific Mandate) are on normal commercial terms and are fair and reasonable; and (ii) although the Capital

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## LETTER FROM GRAM CAPITAL

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Reorganisation and the Connected Loan Capitalisation are not conducted in the ordinary and usual course of business of the Company, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the LR Independent Board Committee and the Code Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Capital Reorganisation and the Connected Loan Capitalisation and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

#### **IV. Whitewash Waiver**

According to the Board Letter, IAM is interested in 21,694,520 Shares, representing approximately 11.8% of the issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Capital Reorganisation and the issuance of the 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 74.4%. Accordingly, the allotment and issuance of the Connected Shares 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.

As further mentioned in the Board Letter, 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 Independent Shareholders either in person or by proxy at the EGM by way of poll in respect of the Capital Reorganisation and the Connected Loan Capitalisation, in which IAM and its concert parties will abstain from voting on the relevant resolutions.

In view of (i) the aforesaid reasons for the Capital Reorganisation and the Connected Loan Capitalisation as stated in the section headed “Reasons for the Capital Reorganisation and the Connected Loan Capitalisation” above; (ii) that the Capital Reorganisation and the Connected Loan Capitalisation are in the interest of the Company and the Shareholders as a whole; (iii) the Capital Reorganisation and the Connected Loan Capitalisation are fair and reasonable; and (iv) that the Connected Loan Capitalisation is conditional on, among other things, the grant of the Whitewash Waiver, we are of the opinion that the Whitewash Waiver is in the interest of the Company and the Shareholders as a whole and is fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### *Recommendation on the Whitewash Waiver*

Having taken into consideration (i) the reasons for and benefits of the Capital Reorganisation and the Connected Loan Capitalisation; and (ii) that the Connected Loan Capitalisation is conditional on, among other things, the grant of the Whitewash Waiver, we consider the Whitewash Waiver is fair and reasonable and is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Code Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Whitewash Waiver 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. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following summary of financial information for each of the years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023 is extracted from the consolidated financial statements of the Company as set forth in the annual reports of the Company for the years ended 30 June 2021, 2022 and 2023 and the interim reports of the Company for the six months ended 31 December 2022 and 2023, respectively.

	Year ended 30 June			Six months ended	
	2021	2022	2023	31 December	2023
	(audited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Revenue	77,813	40,985	42,839	15,025	18,844
(Loss)/profit before tax	(111,064)	(94,158)	(11,407)	15,769	(2,239)
Income tax credit	558	387	1,307	—	—
(Loss)/profit for the year/period	(110,506)	(93,771)	(10,100)	15,769	(2,239)
Total comprehensive (expenses)/income for the year/period	(110,339)	(93,475)	(11,516)	13,542	(3,315)
(Loss)/profit for the year/period attributable to:					
— Equity holders of the Company	(106,340)	(87,998)	(10,635)	15,408	(2,876)
— Non-controlling interests	(4,166)	(5,773)	535	361	637
	<u>(110,506)</u>	<u>(93,771)</u>	<u>(10,100)</u>	<u>15,769</u>	<u>(2,239)</u>
Total comprehensive (expenses)/income for the year/period attributable to:					
— Equity holders of the Company	(106,566)	(87,710)	(11,115)	13,692	(4,151)
— Non-controlling interests	(3,773)	(5,765)	(401)	(150)	836
	<u>(110,339)</u>	<u>(93,475)</u>	<u>(11,516)</u>	<u>13,542</u>	<u>(3,315)</u>
(Loss)/profit per Share (HK Cents)	<u>(2.47)</u>	<u>(0.49)</u>	<u>(0.06)</u>	<u>8.46</u>	<u>(1.57)</u>

No dividend was paid or proposed by the Company during the three years ended 30 June 2021, 2022 and 2023 and for the six months ended 31 December 2023.

Save as disclosed above, the Group had no other material income or expense for the years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 30 June 2023.

The auditors of the Company for the years ended 30 June 2021 and 2022 were CCTH CPA Limited. The auditors of the Company for the year ended 30 June 2023 were Elite Partners CPA Limited. The auditors of the Group reported material uncertainty related to going concern of the Group for the three years ended 30 June 2021, 2022 and 2023.

Qualified opinion was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the two years ended 30 June 2022 and 2023, respectively.

### **Extracts from Independent Auditor's Report**

Relevant extracts of the auditor's reports in respect of the material uncertainty related to going concern for the three years ended 30 June 2023 and the qualified opinion for the consolidated financial statements of the Group for the two years ended 30 June 2022 and 2023 are summarised as below:

#### ***For the year ended 30 June 2021 ("FY June 2021")***

##### *Material Uncertainty Related to Going Concern*

Attention is drawn to Note 2 to the consolidated financial statements for FY June 2021 regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group sustained net current liabilities and net liabilities amounted to approximately HK\$223,234,000 and HK\$140,556,000 respectively as at 30 June 2021 and the Group incurred a loss of approximately HK\$110,506,000 for the year then ended. These conditions, along with other matters as set out in Note 2 to the consolidated financial statements for FY June 2021, indicate 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. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 to the consolidated financial statements FY June 2021 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. The auditor's opinion is not modified in respect of this matter.

#### ***For the year ended 30 June 2022 ("FY June 2022")***

##### *Basis for Qualified Opinion*

- Interests in associates

As referred to in Note 24 to the consolidated financial statements for FY June 2022, the interests in associates at 30 June 2022 and 30 June 2021 represent the Group's 20% and 40% equity interest in Ever Development Holdings Limited and its subsidiaries ("**Ever Development Group**") with the carrying amounts of approximately HK\$23,621,000 and HK\$45,663,000 respectively and the results of Ever Development Group are recognised by the Group in its consolidated financial statements under the equity method of accounting based on the financial statements of Ever Development Group for FY June 2022. During the course of our audit, management of the Group and Ever Development Group represented that certain inventories of Ever Development Group with the purchase costs of approximately HK\$12,502,000 were substantially deteriorated and impairment on such inventories amounted to HK\$12,502,000 was recognised as expenses in the financial statements of

Ever Development Group for FY June 2022. In view that the auditors have not observed the physical count of such inventories performed by Ever Development Group, the auditors are unable to obtain sufficient appropriate audit evidence by alternative means to assess the existence and condition of these inventories and to ascertain whether (a) the inventories are properly carried in its financial statements at the lower of cost and net realisable value; (b) the share of losses of the associates and the loss on dilution of interests in associates amounted to HK\$153,000 and HK\$21,889,000 respectively are properly recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2022; and (c) the interest in Ever Development Group with the carrying amount of approximately HK\$23,621,000 are properly recognised in the Group's consolidated statement of financial position at 30 June 2022.

Any adjustments to the aforementioned share of losses of associates and loss on dilution of interest in associates might have consequential effects on the consolidated financial performance of the Group for the year ended 30 June 2022 and the Group's consolidated financial position as at 30 June 2022, and the related disclosures thereof in the consolidated financial statements.

*Material Uncertainty Related to Going Concern*

Attention is drawn to Note 2 to the consolidated financial statements for FY June 2022 regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group sustained net current liabilities and net liabilities amounted to approximately HK\$202,205,000 and HK\$173,397,000 respectively as at 30 June 2022 and the Group incurred a loss of approximately HK\$93,771,000 for FY June 2022. These conditions, along with other matters as set out in Note 2, indicate 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. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 to the consolidated financial statements for FY June 2022 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. The auditor's opinion is not modified in respect of this matter.

*For the year ended 30 June 2023 ("FY June 2023")*

*Basis for Qualified Opinion*

- Compensation income relating to profit guarantee in previous acquisition

During FY June 2023, the Group recorded a compensation income of approximately HK\$92,838,000 in relation to the failure to meet the profit guarantee by the vendor of the acquisition of Hero Global Holdings Limited ("**Hero Global**").

On 4 January 2019, the Group entered into the sale and purchase agreement ("**Agreement**") with Sinopharm Traditional Chinese Medicine Overseas Holdings Limited (the "**Vendor**") to acquire 100% equity interests in Hero Global at the

consideration of approximately HK\$139.10 million, by way of allotment and issue of 650,000,000 consideration shares by the Company to the Vendor at the issue price of HK\$0.214 per consideration share (“**Hero Global Acquisition**”).

Pursuant to the Agreement, the Vendor warranted to the Group that (i) the actual net profit after taxation of Hero Global for each of the three years ended 31 December 2019, 2020 and 2021 shall not be less than HK\$23 million, HK\$23 million and HK\$23 million respectively; or (ii) the aggregate net profit for the three years ended 31 December 2019, 2020 and 2021 shall not be less than HK\$69 million in total (“**Profit Guarantee**”). If Hero Global failed to meet the conditions of the Profit Guarantee, the Vendor shall compensate to the Group in accordance with a formula that the compensation is equal to the shortfall multiplied by a compensation factor of 1.7 and is to be settled in cash.

The consideration shares were subjected to the locked-up period for not less than three years and was kept by the Company as custody unless the conditions of Profit Guarantee were being satisfied. If the Vendor failed to pay the compensation in cash, the purchaser has the right to sell the locked-up shares as the compensation.

However, Hero Global recorded net profit after taxation of approximately HK\$10.5 million and HK\$5.9 million for the two years ended 31 December 2019 and 2020 respectively, and net loss after taxation of approximately HK\$2.0 million for the year ended 31 December 2021, which was less than Profit Guarantee of HK\$65 million and the condition for the Profit Guarantee could not be fulfilled.

On 23 May 2022, the Group and the Vendor signed a confirmation letter and mutually agreed on the amount of the compensation of approximately HK\$92.8 million (“**Compensation**”) and entered into a settlement agreement for the Compensation. Due to the fact that the Vendor still failed to settle the Compensation after entering into the settlement agreement, the Group exercised the right to sell the locked-up consideration shares for the settlement of Compensation. Accordingly, on 23 August 2022, the Group and the Vendor signed a deed of authorisation pursuant to which the Vendor authorised the right to the Group, to sell 650,000,000 locked-up shares for the settlement of the Compensation to the Group.

During FY June 2023, 530,200,000 lock-up shares were sold by the Company and approximately HK\$16,358,000 was received in cash and recognised as compensation income in profit or loss. As at 30 June 2023, the market value for the remaining 119,800,000 lock-up shares was approximately HK\$1,677,000.

The auditors were unable to satisfy themselves as to whether the recognition of compensation income during FY June 2023 was appropriate because the fair value of the Profit Guarantee should be accounted for as contingent consideration at the date of Hero Global Acquisition in accordance with HKFRS 3 “Business Combination” and subsequently measured at fair value at the end of each reporting period (i.e. 30 June 2019, 30 June 2020 and 30 June 2021), with the related change in fair value to be recognised in profit or loss. In addition, the auditors were unable to determine whether

the opening balances and corresponding figures are free from material misstatement as the consolidated financial statements for FY June 2022 did not take into account the fair value of Profit Guarantee.

- Opening balance relating to interests in associates

The consolidated financial statements of the Group for FY June 2022 contained a qualified of audit opinion relating to (i) the Group's interests in associates with carrying value of HK\$23.6 million as at 30 June 2022; (ii) the Group's shares of loss of associate of approximately HK\$0.2 million; and (iii) loss on dilution of interest in associates of approximately HK\$21.9 million. Detail of which has been set out in the auditor's report issued by the predecessor auditor dated 30 September 2022.

As the consolidated financial statements for FY June 2022 formed the basis for the corresponding figures presented in the consolidated financial statements for FY June 2023, any adjustments found to be necessary in respect of the interests in associates would have an effect on opening balances for the consolidated statement of financial position and corresponding figures in the consolidated statement of profit or loss.

- Loss on deemed disposal of interests in associates

During FY June 2023, the shareholders of Ever Development Holdings Limited, being the associate company of the Group ("**Ever Development**") have made capital contribution to Ever Development, resulting the Group's shareholding in Ever Development were diluted from 20% to 19.05% ("**Deemed Disposal**") and loss on dilution of interests in associates of approximately HK\$1,131,000 has been recognised in profit or loss. In the opinion of the directors of the Company, the Group did not have significant influence over Ever Development and its subsidiaries, therefore they ceased to be associate companies of the Group, and the equity interests of 19.05% in Ever Development has been recognised as financial assets as fair value through profit or loss. Accordingly, the share of profit of associates for the period up to the Deemed Disposal of approximately HK\$186,000 and the loss on Deemed Disposal of approximately HK\$19,217,000 have been recognised in profit or loss.

Under the circumstances that the opening balance for interests in associates has been qualified as mentioned above, the auditors were unable to satisfy themselves as to whether (i) the share of loss of associates; and (ii) the loss on Deemed Disposal recognised in profit or loss are free from material misstatement.

#### *Material Uncertainty Related to Going Concern*

Attention is drawn to Note 2 to the consolidated financial statements for FY June 2023 regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group sustained net current liabilities and net liabilities amounted to approximately HK\$186,191,000 and HK\$179,754,000 respectively as at 30 June 2023 and the Group incurred a loss of approximately HK\$10,100,000 for the year then ended. These conditions, along with other matters as

set out in Note 2, indicate 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. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 to the consolidated financial statements for FY June 2023 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. The auditor's opinion is not modified in respect of this matter.

The financial information of the Group for the years ended 30 June 2021, 2022 and 2023, and the six months ended 31 December 2023 are disclosed in the annual reports of the Company for the years ended 30 June 2021, 2022 and 2023 and the interim report of the Company for the six months ended 31 December 2023, which have been published on the websites of the Company ([www.sinopharmtech.com.hk](http://www.sinopharmtech.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as follows and are incorporated by reference into this circular:

- (i) from pages 67 to 170 of the annual report of the Company for the year ended 30 June 2021 published on 29 September 2021, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/gem/2021/0929/2021092901420.pdf>
- (ii) from pages 65 to 170 of the annual report of the Company for the year ended 30 June 2022 published on 30 September 2022, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/gem/2022/0930/2022093002459.pdf>
- (iii) from pages 62 to 162 of the annual report of the Company for the year ended 30 June 2023 published on 29 September 2023, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/gem/2023/0929/2023092901428.pdf>
- (iv) from pages 1 to 24 of the interim report of the Company for the six months ended 31 December 2023 published on 29 February 2024, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/gem/2024/0229/2024022901287.pdf>

## 2. INDEBTEDNESS

As at the close of business on 31 May 2024, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, the Group had the following indebtedness:

	<i>HK\$'000</i>
Amounts due to Creative Big (unsecured)	56,218
Amounts due to IAM (unsecured)	105,747
Loan from Quantum (unsecured)	<u>15,365</u>
Total	<u><u>177,330</u></u>



Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the normal course of business, as at the close of business on 31 May 2024, the Group did not have any debt securities authorized or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 May 2024, being the latest practicable date for determining the Group's indebtedness up to the Latest Practicable Date.

### 3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group are the provision of Internet Plus services (supply chain). 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. On the other hand, the Group has been exploring more business opportunities with platform operators in the PRC by providing one-stop product supply chain services in healthcare products.

The Group continued to accelerate its deployment in the healthcare industry through the PRC Subsidiary in Jiangxi Province. The Group has been involved in the sales of Chinese patent medicines and health products, which provides new revenue streams and business development direction to the Group. 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 the 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, cooperating with various categories of customers and pharmaceutical manufacturers as well as expanding the variety of Chinese patent medicines will effectively accelerate the business development of the PRC Subsidiary.

Looking forward, the Group continues the "Internet Plus" business, in particular the Chinese patent medicines and the healthcare products. Leveraging on its years of experience in "Internet Plus" supply chain services as well as its co-operative relationships with various platform operators, the Group has ample room for development in "Internet Plus" supply chain services in the healthcare industry which will open up new development opportunities for the Group.



On the other hand, the Group may consider business explorations in the healthcare industry, involving the entire business process of production, distribution and supply chain of healthcare products, with a view to exploring new opportunities in the healthcare industry and bringing in new sources of revenue for the Group.

#### **4. MATERIAL CHANGE**

As at the Latest Practicable Date, the Directors confirm that save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group subsequent to 30 June 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), and up to and including the Latest Practicable Date:

As disclosed in the Announcement and this circular, the Company entered into (i) the IAM Loan Capitalisation Agreement with IAM for the IAM Loan Capitalisation; (ii) the Quantum Loan Capitalisation Agreement with Quantum for the Quantum Loan Capitalisation; and (iii) the Creative Big Loan Capitalisation Agreement with Creative Big for the Creative Big Loan Capitalisation. Upon completion of the IAM Loan Capitalisation, the Quantum Loan Capitalisation and the Creative Big Loan Capitalisation, the IAM Debt, the Quantum Debt and the Creative Big Debt shall be deemed to have been fully repaid and the Company shall be released from its obligations, respectively.

## 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of IAM and Quantum jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in 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) (Note)			
Mr. HO Kam Kin	The Company	—	—	1,600,000	—	1,600,000	0.87%
Ms. KWOK Shuk Yi	The Company	—	—	1,600,000	—	1,600,000	0.87%
Dr. CHENG Yanjie	The Company	—	78,600	160,000	—	238,600	0.13%
Mr. LAU Fai Lawrence	The Company	—	—	160,000	—	160,000	0.09%

*Note:* These share options were granted by the Company on 28 December 2022 under the share option scheme adopted by the Company on 9 June 2021.

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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, 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 Divisions 2 and 3 of Part XV of the SFO.

**(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 in which interests are held	Number of Shares held	Percentage of shareholding
Best Frontier Investments Limited ("Best Frontier") (Note 1)	Beneficial owner	27,097,574	14.75%
IAM (Note 2)	Beneficial owner	21,694,520	11.81%
Mr. Tse Siu Hoi	Beneficial owner	12,426,000	6.76%

*Notes:*

- 27,097,574 Shares were held by Best Frontier which is wholly owned by Mr. Chan Kin Ho Philip.
- 21,694,520 Shares were owned by IAM which is wholly-owned by Mr. YAM Tak Cheung.

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. SHARE CAPITAL OF THE COMPANY

#### Authorised and issued share capital

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date were, and (b) as a result of the completion of Capital Reorganisation and the allotment and issue of the Connected Shares will be, as follows:

#### *(a) As at the Latest Practicable Date*

Authorised:		
640,000,000 Shares	of HK\$0.3125 each	HK\$200,000,000
Issued and fully paid:		
183,693,055 Shares	of HK\$0.3125 each	HK\$57,404,080

#### *(b) As a result of the completion of Capital Reorganisation and the allotment and issue of the Connected Shares, IAM CPSs and Creative Big CPSs*

Authorised:		
12,800,000,000 Shares	of HK\$0.0125 each	HK\$160,000,000
3,200,000,000 CPSs	of HK\$0.0125 each	HK\$40,000,000
Issued and fully paid:		
633,693,055 Ordinary Shares	of HK\$0.0125 each	HK\$7,921,163
1,480,151,050 CPSs	of HK\$0.0125 each	HK\$18,501,888

No Share was issued by the Company since 30 June 2023, being the date to which the Company's latest published audited accounts were prepared, and up to and including the Latest Practicable Date. All of the Shares currently in issue are fully paid up and rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital.

Save for the Connected Shares, IAM CPSs and Creative Big CPSs, the Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

### 4. MARKET PRICES

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.149 per Share (on 14 and 15 December 2023) and HK\$0.090 per Share (on 23 April 2024) respectively.

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
29 December 2023	0.132
31 January 2024	0.129
29 February 2024	0.122
28 March 2024	0.120
30 April 2024	0.116
31 May 2024	0.118
13 June 2024 (the last business day before the date of the Announcement)	0.123
28 June 2024	0.095
17 July 2024 (the Latest Practicable Date)	0.106

## 5. COMPETING INTERESTS

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

## 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which:

- (a) (including both continuous and fixed term contracts) have been entered into or amended during the Relevant Period;
- (b) are continuous contracts with a notice period of 12 months or more;
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (d) are not determinable by any member of the Group within one year without payment of compensation (other than statutory compensation).

## 7. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date,

- (i) none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group;

- (ii) none of the Directors 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 2023, being the date to which the latest published audited financial statements of the Group were made up.

## **8. ARRANGEMENTS AFFECTING DIRECTORS**

As at the Latest Practicable Date, other than the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement:

- a. there was no agreement, arrangement or understanding (including any compensation agreement) existing between IAM, Quantum, Mr. YAM Tak Cheung and the parties acting in concert with any of them and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement or the Whitewash Waiver;
- b. there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement or the Whitewash Waiver;
- c. there was no agreement, arrangement or understanding (including any compensation agreement) existing between IAM, Quantum, Mr. YAM Tak Cheung and the parties acting in concert with any of them and any Director regarding any benefit to any Director as compensation for loss of office or otherwise in connection with the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement or the Whitewash Waiver; and
- d. none of the Directors was materially interested in any material contract entered into by IAM, Quantum, Mr. YAM Tak Cheung and the parties acting in concert with any of them.

## **9. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE**

As at the Latest Practicable Date, other than the holdings of Shares and the Connected Shares which are proposed to be subscribed for under the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement as disclosed in the section headed “Effects on Shareholding Structure of the Company” in the “Letter from the Board” in this circular, IAM and Quantum confirm that:

- a. save for the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement, none of IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them has 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 date of the Announcement;
- b. other than the IAM Loan Capitalisation and Quantum Loan Capitalisation, none of IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them will make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the date of the Announcement and the completion of the IAM Loan Capitalisation and Quantum Loan Capitalisation;
  - c. save as disclosed in the section headed “Effect on Shareholding Structure of the Company” in this circular, there is no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them;
  - d. save for the convertible bonds held by IAM, none of IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them holds any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities of the Company;
  - e. save for the convertible bonds held by IAM, there is no outstanding derivative in respect of the securities of the Company which has been entered into by IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them;
  - f. save for the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement, there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the Shares or shares of IAM and Quantum and which might be material to the transactions contemplated under the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement and/or the Whitewash Waiver;
  - g. none of IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them has received any irrevocable commitment from any person as to whether they will vote for or against the resolutions approving the Capital Reorganisation, the IAM Loan Capitalisation Agreement, Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Connected Specific Mandate) and/or the Whitewash Waiver;
  - h. save for the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement, there are no agreements or arrangements to which the IAM or Quantum, Mr. YAM Tak Cheung are parties which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the IAM Loan Capitalisation or Quantum Loan Capitalisation or the Whitewash Waiver;

- i. none of IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- j. none of IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them had intention to transfer, charge or pledge the Connected Shares and IAM CPSs to any other persons upon completion of the IAM Loan Capitalisation and Quantum Loan Capitalisation;
- k. save for the subscription price for the IAM Shares, IAM CPSs and Quantum Shares payable under the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement, none of IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any of the parties acting in concert with it in relation to the IAM Loan Capitalisation and Quantum Loan Capitalisation;
- l. there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them on the one hand and any of the Shareholders on the other hand; and
- m. there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them on the one hand and the Company, its subsidiaries or associated companies on the other hand.

As at the Latest Practicable Date, the Company confirms that:

- a. there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Company, its subsidiaries or associated companies on the one hand and any of the Shareholders on the other hand;
- b. there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between IAM, Quantum, Mr. YAM Tak Cheung and parties acting in concert with any of them on the one hand and the Company, its subsidiaries or associated companies on the other hand;
- c. no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- d. there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
- e. no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis; and
- f. As at the Latest Practicable Date, no benefit has been or would be given to any Director as compensation for loss of office or otherwise in connection with the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement (other than statutory compensation).

## 10. DEALINGS IN SHARES

During the Relevant Period,

- a. save for the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement, neither IAM, Quantum, Mr. YAM Tak Cheung nor parties acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares or had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company;
- b. none of the directors of IAM and Quantum had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- c. there were no Shares or convertible securities, warrants, options and derivatives of the Company which IAM, Quantum, Mr. YAM Tak Cheung or parties acting in concert with any of them, or the Directors have borrowed or lent;
- d. the Company did not hold and had not dealt for value in any shares of IAM and Quantum or the relevant securities (as defined in Note 4 to Rule 22 of Takeovers Code) of IAM and Quantum;
- e. the Directors did not hold and had dealt for value in any shares of IAM and Quantum or the relevant securities (as defined in Note 4 to Rule 22 of Takeovers Code) of IAM and Quantum;
- f. no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt

principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- g. no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- h. no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

## 11. LITIGATION

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

## 12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the members of the Group) have been entered into by the members of the Group within the two years immediately preceding the Last Trading Day and up to the Latest Practicable Date, which are or may be material:

- (i) the loan capitalisation agreement dated 27 July 2022 entered into between the Company and Mr. CHAN Ting (as the subscriber);
- (ii) the Quantum Loan Agreement;
- (iii) the IAM Loan Capitalisation Agreement;
- (iv) the Quantum Loan Capitalisation Agreement; and
- (v) the Creative Big Loan Capitalisation Agreement.

### 13. 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 issuance 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 2023, 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.

### 14. 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 Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, 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.
- (v) The registered office of IAM is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and the correspondence address of IAM and Mr. YAM Tak Cheung is located at 21/F, 88 Gloucester Road, Wanchai, Hong Kong. As at the Latest Practicable Date, the sole director and sole shareholder of IAM are Mr. YAM Tak Cheung.

- (vi) The registered office of Quantum is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, VG1110, British Virgin Islands and the correspondence address of Quantum and Mr. YAM Tak Cheung is located at 21/F, 88 Gloucester Road, Wanchai, Hong Kong. As at the Latest Practicable Date, the sole director and sole shareholder of Quantum are Mr. YAM Tak Cheung.
- (vii) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

## 15. DOCUMENTS ON DISPLAY

Copies 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 not less than 14 days from the date of this circular up to and including the date of EGM:

- (i) this circular;
- (ii) the Existing Memorandum and Articles of Association;
- (iii) the annual reports of the Company containing audited consolidated financial statements of the Company for each of the two years ended 30 June 2022 and 2023 and the interim reports of the Company for the six months ended 31 December 2022 and 2023;
- (iv) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (v) the letter from the LR Independent Board Committee, the text of which is set out in the section headed “Letter from the LR Independent Board Committee” in this circular;
- (vi) the letter from the Code Independent Board Committee, the text of which is set out in the section headed “Letter from the Code Independent Board Committee” in this circular;
- (vii) the letter from Gram Capital containing its advice to the LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Gram Capital” in this circular;
- (viii) the written consents referred to in the paragraph headed “QUALIFICATION AND CONSENT OF EXPERT” in this Appendix; and
- (ix) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this Appendix.

With a view to (i) incorporate relevant the 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 Board proposes the Proposed Amendments as set out below subject and conditional to (i) the approval of the Capital Reduction by the Cayman Court; and (ii) the effective date of the Capital Reorganisation. A special resolution will be proposed at the EGM to approve the Proposed Amendments. For the avoidance of doubt, the implementation of the Proposed Amendments will take place once the Capital Reorganisation is effective and is subject to any further amendments and/or directions that the Cayman Court may order or direct at the hearing of the Company's petition for approval of the Capital Reduction.

#### SUMMARY OF MAJOR AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION

THAT the Existing Memorandum and Articles of Association be and are hereby amended as follows (for reference purposes, marked up against the Existing Memorandum and Articles of Association, where applicable):

- (1) By renaming the "Second Amended and Restated Memorandum and Articles of Association" as "Third Amended and Restated Memorandum and Articles of Association".
- (2) By deleting the words "Second Amended and Restated" wherever they may appear and replacing them with the words "Third Amended and Restated".

#### DETAILS OF AMENDMENTS TO THE EXISTING MEMORANDUM OF ASSOCIATION

THAT the Existing Memorandum of Association be and are hereby amended as follows (for reference purposes, marked up against the Existing Memorandum of Association, where applicable):

##### Clause 5

By deleting existing Clause 5 in its entirety and replacing it with the following:

- "5. The share capital of the Company is **HK\$200,000,000.00** divided into (i) 12,800,000,000 ordinary shares of a par value of **HK\$0.0125** each; and (ii) 3,200,000,000 preference shares of a par value of **HK\$0.0125** each; ~~640,000,000 shares of a par value of HK\$0.3125 each.~~"



DETAILS OF MAJOR AMENDMENTS TO THE EXISTING ARTICLES OF  
ASSOCIATION

THAT the Existing Articles of Association be and are hereby amended as follows (for reference purposes, marked up against the Existing Articles of Association, where applicable):

**Table of Contents**

By adding the following new item immediately after the existing item of “Amendment of Memorandum and Articles” at the end of the Table of Contents:

“Schedule — Terms of the Preference Shares 71”

**Article 2**

By adding the following new definitions immediately after the definition of “ordinary resolution”:

“**Ordinary Share(s)** shall mean the ordinary share(s) of a par value HK\$0.0125 each in the share capital of the Company;

**Preference Share(s)** shall mean the non-voting convertible preference share(s) of a par value of HK\$0.0125 each in the share capital of the Company, the terms of which are set out in the Schedule of these Articles;”

By adding the following new definition immediately after the definition of “registration office”:

“**Schedule** shall mean the Schedule to these Articles, which shall form part of these Articles;”

By deleting the definition of “share” in its entirety and replacing it with the following:

“**share** shall mean a share in the capital of the Company, including an Ordinary Share and a Preference Share, or either one of them as the context may require, and includes stock except where a distinction between stock and shares is expressed or implied;”

**Article 3**

By deleting existing Article 3 in its entirety and replacing it with the following:

- “3. The capital of the Company at the date of the adoption of these Articles is HK\$200,000,000.00 divided into (i) 12,800,000,000 ordinary shares of a par value of HK\$0.0125 each and (ii) 3,200,000,000 preference shares of a par value of HK\$0.0125 each ~~640,000,000 shares of a par value of HK\$0.3125 each.~~”

**Article 4**

By deleting existing Article 4 in its entirety and replacing it with the following:

- “4. Subject to the provisions of and the Schedule to these Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Board may determine. Subject to the Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed. No shares shall be issued to bearer.”

**Article 6(a)**

By deleting existing Article 6(a) in its entirety and replacing it with the following:

- “(a) If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Act and the Schedule to these Articles, be varied or abrogated with the consent in writing of the holders of at least three-fourths of the issued shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by of the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. To every such separate meeting all the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be two persons together holding (or representing by proxy) at the date of the relevant meeting at least one-third of the issued shares of that class.”

**Article 7**

By deleting existing Article 7 in its entirety and replacing it with the following:

“7. Subject to the Act, the Listing Rules or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of shares and to the Schedule to these Articles, the Company shall have the power to purchase or otherwise acquire all or any of its own shares (which expression as used in this Article includes redeemable shares) and such power shall be exercisable by the Board in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit and any determination by the Board of the manner of purchase shall be deemed authorised by these Articles for purposes of the Companies Act. The Board may also purchase or otherwise acquire warrants for the subscription or purchase of its own shares, and shares and warrants for the subscription or purchase of any shares in any company which is its holding company and may make payment therefor in any manner authorised or not prohibited by law, including out of capital, or to give, directly or indirectly, by means of a loan, a guarantee, a gift, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or warrants in the Company or any company which is a holding company of the Company and should the Company purchase or otherwise acquire its own shares or warrants neither the Company nor the Board shall be required to select the shares or warrants to be purchased or otherwise acquired rateably or in any other manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or other acquisition or financial assistance shall only be made in accordance with any relevant code, rules or regulations issued by the Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.”

**Article 9(a)**

By deleting existing Article 9(a) in its entirety and replacing it with the following:

“(a) Subject to the provisions of the Act, ~~and~~ the Memorandum of Association of the Company and the Schedule to these Articles, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holders are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.”

**Article 11**

By deleting existing Article 11 in its entirety and replacing it with the following:

“11. Subject to the provisions of the Act, of the Memorandum of Association of the Company, ~~and~~ of these Articles, and of the Schedule to these Articles relating to new shares, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Board shall determine.”

**Article 37**

By deleting existing Article 37 in its entirety and replacing it with the following:

“37. Subject to the Schedule to these Articles, ~~t~~ransfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Board may approve, which is consistent with the standard form of transfer as prescribed by the Exchange and approved by the Board. All instruments of transfer must be left at the registered office of the Company or at such other place as the Board may appoint and all such instruments of transfer shall be retained by the Company.”

**Article 63(a)(iii)**

By deleting existing Article 63(a)(iii) in its entirety and replacing it with the following:

“(iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, subject nevertheless to the provisions of the Act and the Schedule to these Articles, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.”

**Article 73(a)**

By adding the following sentence at the end of existing Article 73(a):

“Notice of general meetings may be sent or published or otherwise made available to the members or any other persons by electronic means in such manner as permitted by the Listing Rules.”

**Article 85**

By deleting existing Article 85 in its entirety and replacing it with the following:

“85. Subject to the Schedule to these Articles and any special rights, privileges or restrictions as to voting for the time being attached to any class or class of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register. A member entitled to more than one vote is under no obligation to cast all his votes in the same way.”

**Article 144(a)**

By deleting existing Article 144(a) in its entirety and replacing it with the following:

“(a) Subject to the Act, ~~and these Articles and the Schedule to these Articles,~~ the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.”

**Article 145**

By deleting existing Article 145 in its entirety and replacing it with the following:

“~~145.~~(a) Subject to the Schedule to these Articles, ~~the~~ Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts *bona fide*, the Board shall not incur any responsibility to the holders of shares conferring any preferential rights.

(b) Subject to the Schedule to these Articles, ~~the~~ Board may also pay half-yearly or at other intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits available for distribution justify the payment.

(c) Subject to the Schedule to these Articles, ~~the~~ Board may in addition from time to time declare and pay special dividends on shares of any class of such amounts and on such dates as they think fit, and the provisions of paragraph

(a) as regards the powers and the exemption from liability of the Board as relate to declaration and payment of interim dividends shall apply, *mutatis mutandis*, to the declaration and payment of any such special dividends.”

**Article 146**

By deleting existing Article 146 in its entirety and replacing it with the following:

“146. No dividend shall be declared or payable except in accordance with these Articles and out of the profits and reserves of the Company lawfully available for distribution including share premium. No dividend shall carry interest against the Company.”

**Article 148(b)**

By deleting existing Article 148(b) in its entirety and replacing it with the following:

“(b) Subject to the Schedule to these Articles, ~~T~~the Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalizing dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (including shares, warrants and other securities of the Company) as the Board may from time to time think fit, and so that it shall not be necessary to keep any reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend.”

**Article 156**

By deleting existing Article 156 in its entirety and replacing it with the following:

“156. Subject to the Schedule to these Articles, ~~A~~all dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the exclusive benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof or be required to account for any money earned thereon. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company and after such forfeiture no member or other person shall have any right to or claim in respect of such dividends or bonuses.”

**Articles 163(b)**

By deleting existing Article 163(b) in its entirety and replacing with the following:

“(b) Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting be sent in the manner in which notices may be served by the Company as provided herein to every member of the Company and every holder of debentures of the Company and at the same time as the notice of annual general meeting, provided that the Company shall not be required to send ~~printed~~ copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.”

**Articles 163(c)**

By deleting existing Article 163(c) in its entirety and replacing with the following:

“(c) To the extent permitted by and subject to due compliance with these Articles, the Act and all applicable rules and regulations, including, without limitation, the rules of the Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Article 163(b) shall be deemed satisfied in relation to any member or any holder of debentures of the Company by sending to such person instead of such copies, not less than 21 days before the date of the annual general meeting, in any manner not prohibited by these Articles and the Act, a summary financial statement derived from the Company’s annual accounts, together with the Directors’ report and the Auditor’s report on such accounts, which shall be in the form and containing the information required by these Articles, the Act and all applicable laws and regulations, provided that any person who is otherwise entitled to the annual accounts of the Company, together with the Director’s report and the Auditor’s report thereon may, if he so requires, by notice in writing served on the Company, demand that the Company sends to him, in addition to the summary financial statement, a complete ~~printed~~ copy of the Company’s annual accounts, together with the Directors’ report and the Auditor’s report thereon.”



**New Article 167(c)**

By adding the following new Article 167(c) immediately after existing Article 167(b):

“(c) Notwithstanding any other provisions in these Articles, the Company may send, mail, dispatch, issue, publish or otherwise make available any corporate communication or notices by electronic means to the extent and in such manner as permitted by the Listing Rules.”

**Article 170**

By deleting existing Article 170 in its entirety and replacing with the following:

“170. A notice may be given by the Company to the person or persons entitled to a share in consequence of the death, mental disorder or bankruptcy of a member by sending it through the electronic means or the post in a prepaid letter addressed to him or them by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the electronic address or the address, if any, within Hong Kong supplied for the purpose by the person claiming to be so entitled, or (until such an electronic address or address has been so supplied) by giving the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.”

**Article 176**

By deleting existing Article 176 in its entirety and replacing with the following:

“176. Subject to the Companies Act, the members may by special resolution resolve to wind up the Company voluntarily or by the court. If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of a special resolution of the Company and any other sanction required by the Act, and subject to the Schedule to these Articles, divide among the members in specie or kind the whole or any part of the assets of the Company (whether the assets shall consist of property of one kind or shall consist of properties of different kinds) and may for such purpose set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority or sanction vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like authority or sanction and subject to the Act, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.”

Article 177

By deleting existing Article 177 in its entirety and replacing with the following:

“177. Subject to the Schedule to these Articles, ~~If~~ the Company shall be wound up, and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.”

New Schedule

By adding the following new schedule immediately after the end of existing Article ~~188~~181:

Schedule — Terms of the Preference Shares

1. *Definitions*

Notwithstanding anything contrary to the provisions of the Memorandum of Association of the Company and these Articles, for the purpose of this Schedule the following terms shall have the following meanings, and in the event of any inconsistency between this Schedule and the remainder of these Articles, the terms of this Schedule shall prevail:

- Conversion Period** shall mean the period of 10 years starting from the Date of Issue and ending on the 10th anniversary of the Date of Issue;
- Conversion Notice** shall mean a notice served by any holder of Preference Shares during the Conversion Period stating that such holder wishes to exercise the Conversion Right in respect of one or more Preference Shares held by such holder, in substantially the form prescribed by the Company from time to time;

<b>Conversion Rights</b>	shall mean the right, subject to the provisions of paragraph 2 of this Schedule, of the holders of Preference Shares to convert any Preference Shares into Ordinary Shares during the Conversion Period;
<b>Converting Shareholder</b>	shall mean a holder of Preference Shares all or some of whose Preference Shares are being or have been converted into Ordinary Shares;
<b>CPS Meeting</b>	shall mean a separate general meeting of the holders of the Preference Shares duly convened in accordance with these Articles and/or this Schedule (as the case may be) to consider any matter relating to the Preference Shares and/or their terms;
<b>Date of Issue</b>	shall mean the date that the relevant Preference Share(s) is/are issued by the Company;
<b>Majority Vote</b>	shall mean majority consisting of more than 50% of the votes cast on a poll by such shareholders as, being entitled so to do, vote in person or by proxy or in the cases of shareholders which are corporations, by their respective duly authorised representatives at a general meeting of which notice has been duly given in accordance with these Articles and/or this Schedule (as the case may be);
<b>Public Float Requirement</b>	shall mean the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the shares which are listed on the Exchange shall be held by the public for the purpose of the Listing Rules; and
<b>Relevant Event</b>	shall mean any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary.

## 2. *Conversion Rights*

- 2.1 The Preference Shares 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. Holder of any

Preference Share is not entitled to exercise any Conversion Right after the Conversion Period. For the avoidance of doubt, any Preference Share that has not been converted, redeemed or cancelled during the Conversion Period shall remain as Preference Share in the share capital of the Company and the holder of such Preference Share shall not have any right in respect of any Ordinary Share of the Company as a holder of Preference Share after the Conversion Period.

- 2.2 Notwithstanding the generality of the foregoing, in respect of any conversion of the Preference Shares, the Converting Shareholders shall be entitled to such preferred distribution under paragraph 3 of this Schedule that has accrued thereon up to the date immediately prior to the service of a Conversion Notice on the Company. 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 Shareholders.
- 2.3 Notwithstanding anything to the contrary in this Schedule, if the issue of Ordinary Shares following the exercise by a holder of the Preference Shares of the Conversion Rights relating to any of the Preference Shares held by such holder thereof would result in the Company not meeting the Public Float Requirement immediately after the conversion, then the number of Ordinary Shares to be issued pursuant to such conversion shall be restricted to the maximum number of Ordinary Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement.
- 2.4 Conversion of the Preference Shares to Ordinary Shares shall be subject to (i) the condition that any Preference Shares 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 HK Code on Takeovers & Mergers upon exercise of the Conversion Right, except that the relevant waiver for making such mandatory general offer has been granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) pursuant to the HK Code on Takeovers & Mergers; (ii) the compliance of all requirements imposed by the Exchange and/or the Securities and Futures Commission of Hong Kong in relation to the allotment and issue of any new Ordinary Shares due to conversion, whether under the Listing Rules, the HK Code on Takeovers & Mergers or otherwise; (iii) the approval by the 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 Preference Shares to Ordinary Shares shall not reduce the public float of

the shares to less than 25% (or any given percentage as required by the Listing Rules) of the issued shares in breach of the Public Float Requirement.

- 2.5 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 Preference Shares, in which case the conversion ratio shall remain as one Preference Shares for one Ordinary Share (as consolidated or sub-divided, as the case may be).

### **3. Preferred Distribution**

- 3.1 Subject to the compliance with these Articles, the Companies Act and all applicable laws, and so long as the Company has not redeemed all of its Preference Shares pursuant to paragraph 6 of this Schedule, the Company may pay any preferred distribution to the holders of Preference Shares pursuant to the terms under this Schedule.
- 3.2 During the first five years from the Date of Issue, each holder of issued Preference Share has the right to receive a preferred distribution at the fixed rate of 5.0% per annum on the aggregate issue price of the Preference Shares paid by the initial subscriber for its initial subscription, payable annually in arrears on each anniversary of the Date of Issue (each, an “**Annual Payment Date**”) until the 5th anniversary of the Date of Issue, 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 Preference Shares prior to the relevant Annual Payment Date. Each of such preferred distributions is cumulative. The holders of Preference Shares 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.
- 3.3 No preferred distribution shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution including share premium.
- 3.4 No interest shall be accrued on any unpaid preferred distribution.
- 3.5 If the Board elects to defer a preferred distribution pursuant to paragraph 3.2 above, the Company shall not (i) pay any dividends, distributions or make any other payment on any other shares or (ii) redeem, cancel, repurchase or acquire for any consideration any other Shares, unless at the same time it pays to the holders of the Preference Shares 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 other shares are made.

**4. *Dividend***

- 4.1 Save for the right conferred on the holders of the Preference Shares to receive a preferred distribution as set out in paragraph 3 above in this Schedule, holders of Preference Shares have no right to other dividend or distribution prior to its conversion into Ordinary Share.

**5. *Transferability***

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

**6. *Redemption***

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

**7. *Ranking***

- 7.1 Save as expressly provided in this Schedule, each Preference Share shall have the same rights as each of the Ordinary Share. The Company shall not, for so long as any Preference Shares remain outstanding, issue, without obtaining the consent of the holders of the Preference Shares by Majority Vote at a CPS Meeting, any shares ranking senior or in priority to the Preference Shares as regards the order of distribution of assets of the Company upon the occurrence of a Relevant Event, but the

Company may create, issue or repurchase, without obtaining the consent of the holders of the Preference Shares, any further Ordinary Shares.

**8. *Return of capital***

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

- (a) firstly, to the holders of Preference 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 Preference Shares (so long as the Company has not redeemed such Preference Shares, or such Preference Shares remain non-converted), on a basis pro-rata to the aggregate of the nominal amounts of the Preference Shares held by each of the holders of Preference Shares;
- (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 all classes of shares including the Preference Shares, other than any other shares not entitled to participate in such assets, by reference to the aggregate nominal amounts of shares held by them respectively.

**9. *Voting rights***

- 9.1 The holders of the Preference Shares shall have the right to receive notice of and to attend a general meeting of the holders of Ordinary Shares of the Company. However, the Preference Shares shall not confer on the holders thereof the right to vote at a general meeting of holders of Ordinary Shares of the Company.
- 9.2 Where holders of the Preference Shares are entitled to vote on any resolution at the relevant CPS Meeting, all resolutions put to the vote at the CPS Meeting must be decided by way of poll and every holder of the Preference Shares who is present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Preference Share held by him which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments shall be treated for the purposes of this paragraph as paid on the share).



- 9.3 Unless otherwise specified herein, the holders of the Preference Shares may requisition a CPS Meeting amongst themselves to be convened in accordance with Article 72 which shall mutatis mutandis apply but so that reference to the share capital of the Company therein should be read as the paid up share capital of the Preference Shares. The proceedings of a separate general meeting for considering a variation of share rights as set out in Article 6 shall apply to CPS Meeting as if the same had been incorporated herein save that where a resolution is to be proposed which if passed would not amount to a variation or abrogation of the rights or privileges of the holders of the Preference Shares, the following shall apply:
- (a) at least 14 days' notice of any CPS Meetings shall be given to the holders of the Preference Shares;
  - (b) two or more persons or entities holding Preference Shares (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy in the aggregate of not less than 10% of the nominal value of the issued Preference Shares for the time being shall form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business and if within half an hour from the time appointed for any CPS Meeting a quorum is not present, the meeting will be dissolved. If the Company has only one holder of Preference Shares, one holder present in person or by proxy shall be a quorum for all purposes;
  - (c) every question submitted to a CPS Meeting shall be decided by passing by a Majority Vote;
  - (d) save as the Company, its legal and financial advisors and the holders of Preference Shares (whether in person or by proxy or (being a corporation) by its duly authorized representative), no person or entity shall be entitled to attend, speak or vote at any CPS Meetings or to join with others in requesting the convening of such a meeting; and
  - (e) the decision by a Majority Vote shall be binding upon all holders of Preference Shares, whether present or not present at such meeting, and each of the holder of the Preference Shares shall be bound to give effect thereto accordingly.
- 9.4 Save and except as amended in paragraph 9.3 above, the provisions of Articles 2, 70 to 96 in relation to general meetings of the Company shall apply to the CPS Meeting as if the same had been incorporated herein.

***10. Listing***

10.1 The Preference Shares will not be listed on any stock exchange.

10.2 An application will be made to the Exchange for the listing of, and permission to deal in, the Ordinary Shares to be allotted and issued upon conversion of the Preference Shares.



## 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 Sinopharm Tech Holdings Limited (the “Company”) will be held at Units 1302–3, 13/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Thursday, 8 August 2024 at 11:00 a.m., for the purpose of considering and, if thought fit, passing the following resolutions:

#### SPECIAL RESOLUTIONS

- (1) “**THAT** subject to and conditional upon (i) an order being made by the Grand Court of the Cayman Islands (the “**Cayman Court**”) sanctioning the Capital Reduction (as defined below); (ii) the compliance with any conditions which the Cayman Court may impose for the Capital Reduction to be effective; (iii) the registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Cayman Court sanctioning the Capital Reduction and the Share Sub-division (as defined below) (collectively, the “**Capital Reorganisation**”) and the minute approved by the Cayman Court containing the particulars required under the Companies Act of the Cayman Islands, as consolidated and revised, with respect to the Capital Reorganisation; and (iv) the Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new Ordinary Shares (as defined below) arising from the Capital Reorganisation, with effect from the date on which the aforesaid conditions are fulfilled (the “**Effective Date**”):
  - (a) the reduction of the issued share capital of the Company by reducing the par value of each existing ordinary share of the Company (the “**Ordinary Share(s)**”) from HK\$0.3125 to HK\$0.0125 by cancelling the paid up share capital to the extent of HK\$0.3 per Share (the “**Capital Reduction**”) on the Effective Date so that following the Capital Reduction each Share with a par value of HK\$0.3125 shall be treated as one fully paid-up ordinary share with a par value of HK\$0.0125 in the share capital of the Company and any liability of the holders of such shares to make any further contribution to the

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- capital of the Company on each such share shall be treated as satisfied and that the amount of issued share capital thereby cancelled be made available for issue of new shares of the Company;
- (b) 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;
  - (c) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Ordinary Shares with par value of HK\$0.3125 each be sub-divided into 25 authorised but unissued new Ordinary Shares with par value of HK\$0.0125 each (the “**New Share(s)**”) (the “**Share Sub-division**”);
  - (d) 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; and
  - (e) any one or more of the directors of the Company (the “**Directors**”) be and is/are hereby authorised severally to do all such acts and things and execute and deliver all such documents, which are ancillary to the Capital Reorganisation, on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to, implement and complete the Capital Reorganisation.”
- (2) “**THAT** subject to and conditional upon (i) an order being made by the Cayman Court sanctioning the Capital Reduction; and (ii) the effective date of the Capital Reorganisation, the second amended and restated memorandum and articles of association of the Company (the “**Existing Memorandum and Articles of Association**”) be amended in the manner as set out in Appendix III to the circular of the Company dated 19 July 2024 (the “**Circular**”); the third amended and restated memorandum and articles of association of the Company (the “**New Memorandum and Articles of Association**”), a copy of which has been produced to the meeting, which consolidates all the proposed amendments mentioned in the Circular, be approved and adopted in substitution for and to the exclusion of the Existing Memorandum and Articles of Association; and that any one or more Directors be and is/are hereby authorised severally to do all things necessary to implement the adoption of the New Memorandum and Articles of Association and to make relevant registrations and filings in accordance with the relevant requirements of the applicable laws, rules and regulations in the Cayman Islands and Hong Kong.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ORDINARY RESOLUTIONS

(3) “**THAT**

- (a) the loan capitalisation agreement dated 14 June 2024 entered into between the Company and Integrated Asset Management (Asia) Limited (“**IAM**”) in respect of the proposed allotment and issue of 300,000,000 Ordinary Shares (the “**IAM Share(s)**”) and 932,541,460 non-voting convertible preference shares (the “**IAM CPS(s)**”) of par value of HK\$0.0125 each (after the Capital Reorganisation becomes effective) in the share capital of the Company at the subscription price of HK\$0.1 per IAM Share/IAM CPS by capitalising the outstanding principal and accrued interests under the convertible bonds held by IAM up to 31 December 2023 (the “**IAM Loan Capitalisation Agreement**”) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) any one or more Directors be and is/are hereby authorised severally for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the IAM Loan Capitalisation Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon; and
- (c) the grant of the specific mandate for the allotment and issue of the IAM Shares and IAM CPSs and the Ordinary Shares to be allotted and issued upon exercise of the conversion rights of the IAM CPSs subject to the terms and conditions set out in the IAM Loan Capitalisation Agreement be and is hereby approved and confirmed.”

(4) “**THAT**

- (a) the loan capitalisation agreement dated 14 June 2024 entered into between the Company and Quantum Worldwide Investment Limited (“**Quantum**”) in respect of the proposed allotment and issue of 150,000,000 Ordinary Shares (the “**Quantum Share(s)**”) at the subscription price of HK\$0.1 per Quantum Share by capitalising the outstanding principal under the loan agreement dated 8 November 2023 entered into between the Company and Quantum (the “**Quantum Loan Capitalisation Agreement**”) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) any one or more Directors be and is/are hereby authorised severally for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon; and

- (c) the grant of the specific mandate for the allotment and issue of the Quantum Shares subject to the terms and conditions set out in the Quantum Loan Capitalisation Agreement be and is hereby approved and confirmed.”

(5) **“THAT**

- (a) the loan capitalisation agreement dated 14 June 2024 entered into between the Company and Creative Big Limited (“**Creative Big**”) in respect of the proposed allotment and issue of 547,609,590 non-voting convertible preference shares (the “**Creative Big CPS(s)**”) at the subscription price of HK\$0.1 per Creative Big CPS by capitalising the outstanding principal and accrued interests under the convertible bonds held by Creative Big up to 31 December 2023 (the “**Creative Big Loan Capitalisation Agreement**”) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) any one or more Directors be and is/are hereby authorised severally for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Creative Big Loan Capitalisation Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon; and
- (c) the grant of the specific mandate for the allotment and issue of the Creative Big CPSs and the Ordinary Shares to be allotted and issued upon exercise of the conversion rights of the Creative Big CPSs subject to the terms and conditions set out in the Creative Big Loan Capitalisation Agreement be and is hereby approved and confirmed.”

### SPECIAL RESOLUTION

(6) **“THAT**

- (a) subject to the passing of the above ordinary resolutions numbered (3) and (4) and the granting of the Whitewash Waiver (as defined below) by the Executive Director (or any delegate of the Executive) of the Corporate Finance Division of the Securities and Futures Commission and fulfilment of any conditions that may be imposed thereon, the waiver of the obligations on the part of IAM and parties acting in concert with it to make a mandatory general offer for all the issued ordinary shares of the Company and other securities of the Company not already owned or agreed to be acquired by IAM and the parties acting in concert with it which might otherwise arise as a result of IAM, Quantum, Mr. YAM Tak Cheung and the parties acting in

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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concert with any of them subscribing for the IAM Shares and Quantum Shares under the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Whitewash Waiver**”), be and is hereby approved; and

- (b) any one or more of the Directors be and is hereby authorised severally to do all such acts and things and execute all such further documents, agreements and instruments and to take such steps as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

By order of the Board  
**Sinopharm Tech Holdings Limited**  
國藥科技股份有限公司  
**HO Kam Kin**  
*Executive Director*

Hong Kong, 19 July 2024

*Registered Office in the Cayman Islands:*  
Third Floor, Century Yard  
Cricket Square, P.O. Box 902  
Grand Cayman KY1-1103  
Cayman Islands

*Headquarter and principal place of business in Hong Kong:*  
Unit 1802,  
18/F, Ruttonjee House,  
Ruttonjee Centre,  
11 Duddell Street,  
Central, Hong Kong

*Notes:*

1. A shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the above meeting may appoint one or more proxies, if he is the holder of two or more shares of the Company (the “**Share(s)**”), to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any Share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the 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.
4. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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5. For determining the 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 be eligible to attend and vote at the EGM, all transfer documents 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 Friday, 2 August 2024 at 4:30 p.m.
6. If a Typhoon Signal No. 8 or above is hoisted, a Black Rainstorm Warning Signal or “extreme conditions” caused by super typhoons is in force in Hong Kong at or at any time after 9:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the Company’s website at [www.sinopharmtech.com.hk](http://www.sinopharmtech.com.hk) and the website of HKEXnews at [www.hkexnews.hk](http://www.hkexnews.hk) to notify its Shareholders of the date, time and place of the adjourned meeting.
7. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.
8. All resolutions at the EGM will be taken by poll pursuant to the GEM Listing Rules and the Company’s articles of association. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the GEM Listing Rules.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.