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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;

AND

(5) PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement (i) the Capital Reduction involving the 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 so that immediately following such reduction, each issued Share with a par value of HK\$0.0125 in the share capital of the Company shall become one New Share; and (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.

Immediately following the Capital Reduction becoming effective, each authorised but unissued Share will be sub-divided into twenty-five (25) authorised but unissued New Shares with a par value of HK\$0.0125 each.

As at the date of this announcement, 183,693,055 Shares were issued and were fully paid or credited as fully paid. Assuming that the par value of each of the 183,693,055 issued 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, such that the nominal value of each New Share will be reduced from HK\$0.3125 to HK\$0.0125. 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.

The Capital Reorganisation is conditional upon fulfilment of the conditions contained in the section headed "Conditions of the Capital Reorganisation" in this announcement.

CONNECTED TRANSACTIONS: LOAN CAPITALISATION INVOLVING ISSUE OF ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES UNDER CONNECTED SPECIFIC MANDATE

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 of 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. 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.

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 the 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. 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. The outstanding interests shall be settled in cash by the Company's internal resources.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and the completion of the IAM Loan Capitalisation and Quantum Loan Capitalisation, 450,000,000 Connected Shares represent (i) approximately 245.0% of the number of issued Shares as at the date of this announcement; and (ii) approximately 71.0% of the number of issued Shares as enlarged by the issuance of Connected Shares.

Completion of the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement are inter-conditional with each other.

LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE

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 of 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. 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.

As at the date of this announcement, Creative Big and its ultimate beneficial owner are Independent Third Parties.

IMPLICATIONS UNDER GEM LISTING RULES

As at the date of this announcement, 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 incurred or to be incurred 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.

Given that IAM has a material interest in the IAM Loan Capitalisation and Quantum Loan Capitalisation, IAM and its associates are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement, the respective transactions contemplated thereunder and the grant of the Connected Specific Mandate.

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.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, IAM and parties acting in concert with it are interested in 21,694,520 Ordinary 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", 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 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.

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 will be 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 and the Quantum Loan Capitalisation, in which IAM and its concert parties will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the IAM Loan Capitalisation and the Quantum Loan Capitalisation will not proceed.

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

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.

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 Limited has been appointed with 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.

EGM

The EGM will be convened and held to consider and, if thought fit, approving, among other things, (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.

CIRCULAR

A circular containing, among others 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 the Independent Financial Adviser to the LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders; and (v) a notice convening the EGM is required to be despatched to the Shareholders within 15 business days from the

date of this announcement pursuant to Rule 20.66 of the GEM Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier.

As the Capital Reorganisation and the Loan Capitalisation are conditional upon the satisfaction of certain conditions precedent, the Capital Reorganisation and/or the Loan Capitalisation may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

PROPOSED CAPITAL REORGANISATION

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

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

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (i) the 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. 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 date of this announcement, 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 date of this announcement until the effective date of the Capital Reorganisation). The total credit arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective, thereby reducing the accumulated losses of the Company.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company (i) as at the date of this announcement 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 date of this announcement until the effective date of the Capital Reorganisation:

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

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

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

Reasons for and effects of the Capital Reorganisation

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

The Shares were trading below par value recently. The closing prices of the Shares as quoted on the Stock Exchange were ranged from HK\$0.090 to HK\$0.149 for the period from 1 December 2023 to 31 May 2024. As at the Last Trading Day, the closing price of the Shares as quoted on the Stock Exchange was HK\$0.123. 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 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 (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 the Independent Financial Adviser) 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 date of this announcement, save for the convertible bonds held by IAM and Creative Big (details of which have been disclosed in the section headed “(A) IAM Loan Capitalisation Agreement” and “Creative Big Loan Capitalisation Agreement”, respectively) and 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 date of this announcement. As at the date of this announcement, except for the Capital Reorganisation and the Loan Capitalisation, the Company does not have concrete plan to conduct any fundraising activities or corporate actions in relation to the Shares in the next twelve months.

Listing application

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

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

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

Exchange of share certificates

As the Cayman Court hearing date(s) has yet to be fixed, the effective date of the Capital Reorganisation is not ascertainable at present. Should the Capital Reorganisation become effective, Shareholders may submit existing certificates for the Shares 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. 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.

Expected timetable for 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 announcement refer to Hong Kong local times and dates unless otherwise specified.

Events	Tentative Date
Despatch date of Circular with the notice of the EGM and forms of proxy	Friday, 5 July 2024
Latest date and time for lodging transfer documents in order to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 18 July 2024
Closure of register of members for determining the entitlement to attend and vote at the EGM	Friday, 19 July 2024 to Wednesday, 24 July 2024 (both dates inclusive)
Latest date and time for lodging forms of proxy for the EGM	11:00 a.m. on Monday, 22 July 2024
Record date for determining attendance and voting at the EGM	Wednesday, 24 July 2024
Date and time of the EGM	11:00 a.m. on Wednesday, 24 July 2024
Publication of announcement of poll results of the EGM	Before 7:00 p.m. Wednesday, 24 July 2024

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	Thursday, 10 October 2024
Expected effective date of the Capital Reorganisation	Friday, 18 October 2024
Commencement of dealing in the New Shares	Friday, 18 October 2024
First day of free exchange of existing share certificates for new share certificates for the New Shares	Friday, 18 October 2024
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Friday, 22 November 2024

The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

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 amended to 10% per annum. 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 interest 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.

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 interest under the convertible bonds held by IAM up to 31 December 2023) shall be deemed to have been fully repaid and the Company shall be released from its obligations under the IAM Debt.

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

Date

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

Parties

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

Subject matter

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

Conditions Precedent

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

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

- ii. the approval of the Independent Shareholders by way of a special resolution of the Company approving that the Existing Memorandum and Articles of Association be amended to, among others, (i) incorporate the relevant terms of the CPSs; and (ii) reflect the Capital Reorganisation; and that such amendments to the Existing Memorandum and Articles of Association have become legally effective;
- iii. the compliance of all requirements imposed by the Stock Exchange and/or the SFC in relation to the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Connected Specific Mandate) and the allotment and issue of the IAM Shares, IAM CPSs and Quantum Shares, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- iv. approval by the Stock Exchange of the listing of, and permission to deal in, the IAM Shares and the Ordinary Shares to be allotted and issued upon conversion of the IAM CPSs in relation to the IAM Loan Capitalisation Agreement;
- v. all necessary corporate approvals and consents and third party consents, including the approval of the governmental authorities of the Cayman Islands to the issue of the IAM Shares and IAM CPSs (if necessary) for the transactions contemplated under the IAM Loan Capitalisation Agreement being obtained;
- vi. there is no indication from the Stock Exchange that the listing status of the securities of the Company will be revoked by the Stock Exchange as a result of the implementation of the transactions contemplated under the IAM Loan Capitalisation Agreement;
- vii. the approval of the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder and the Connected Specific Mandate by more than 50% of the Independent Shareholders at the EGM by way of poll; and
- viii. the Executive having granted to IAM the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver having been satisfied, and the approval of the Whitewash Wavier by at least 75% of the Independent Shareholders at the EGM by way of poll.

None of the conditions precedent above can be waived by the parties. As at the date of this announcement, 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 date of this announcement, none of the conditions precedent has been satisfied.

If the conditions precedent of the IAM Loan Capitalisation Agreement have not been satisfied on or before 31 December 2024 (or such later date as may be agreed by all the parties hereto 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 all the parties hereto 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 date of this announcement 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 date of this announcement; 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 date of this announcement 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 date of this announcement; 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 date of this announcement, the Company was indebted to Quantum an aggregate amount of HK\$15,393,836, comprising the outstanding principal of HK\$15,000,000 and outstanding interest of HK\$393,836. The outstanding interests shall be settled in cash by the Company's internal resources.

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.

Conditions Precedent

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

- i. the Company having completed the Capital Reorganisation, including but not limited to, Capital Reduction and Share Sub-division;
- ii. the approval of the Independent Shareholders by way of a special resolution of the Company approving that the Existing Memorandum and Articles of Association be amended to, among others, (i) incorporate the relevant terms of the CPSs; and (ii) reflect the Capital Reorganisation; and that such amendments to the Existing Memorandum and Articles of Association have become legally effective;
- iii. the compliance of all requirements imposed by the Stock Exchange and/or the SFC in relation to the Quantum Loan Capitalisation Agreement, the IAM Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Connected Specific Mandate) and the allotment and issue of the Quantum Shares, IAM Shares and IAM CPSs whether under the GEM Listing Rules, the Takeovers Code or otherwise;

- iv. approval by the Stock Exchange of the listing of, and permission to deal in, the Quantum Shares in relation to the Quantum Loan Capitalisation Agreement;
- v. all necessary corporate approvals and consents and third party consents, including the approval of the governmental authorities of the Cayman Islands to the issue of the Quantum Shares (if necessary) for the transactions contemplated under the Quantum Loan Capitalisation Agreement being obtained;
- vi. there is no indication from the Stock Exchange that the listing status of the securities of the Company will be revoked by the Stock Exchange as a result of the implementation of the transactions contemplated under the Quantum Loan Capitalisation Agreement;
- vii. the approval of Quantum Loan Capitalisation Agreement, IAM Loan Capitalisation Agreement and the transactions contemplated thereunder and the Connected Specific Mandate by more than 50% of the Independent Shareholders at the EGM by way of poll; and
- viii. the Executive having granted to IAM the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver having been satisfied, and the approval of the Whitewash Wavier by at least 75% of the Independent Shareholders at the EGM by way of poll.

None of the conditions precedent above can be waived by the parties. As at the date of this announcement, 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 date of this announcement, none of the conditions precedent has been satisfied.

If the conditions precedent of the Quantum Loan Capitalisation Agreement have not been satisfied on or before 31 December 2024 (or such later date as may be agreed by all the parties hereto 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 all the parties hereto 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 date of this announcement 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 date of this announcement; 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 Capitalisation or any other date to be agreed by both parties in writing.

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

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

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

Date

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

Parties

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

Subject matter

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

Conditions Precedent

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

- i. the Company having completed the Capital Reorganisation, including but not limited to, Capital Reduction and Share Sub-division;
- ii. the approval of the Independent Shareholders by way of a special resolution of the Company approving that the Existing Memorandum and Articles of Association be amended to, among others, (i) incorporate the relevant terms of the CPSs; and (ii) reflect the Capital Reorganisation; and that such amendments to the Existing Memorandum and Articles of Association have become legally effective;
- iii. the compliance of all requirements imposed by the Stock Exchange and/or the SFC in relation to the Creative Big Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the allotment and issue of the Creative Big CPSs, whether under the GEM Listing Rules or otherwise;
- iv. approval by the Stock Exchange of the listing of, and permission to deal in, the Ordinary Shares to be allotted and issued upon conversion of the Creative Big CPSs in relation to the Creative Big Loan Capitalisation Agreement;
- v. all necessary corporate approvals and consents and third party consents, including the approval of the governmental authorities of the Cayman Islands to the issue of the Creative

Big CPSs (if necessary) for the transactions contemplated under the Creative Big Loan Capitalisation Agreement being obtained;

- vi. there is no indication from the Stock Exchange that the listing status of the securities of the Company will be revoked by the Stock Exchange as a result of the implementation of the transactions contemplated under the Creative Big Loan Capitalisation Agreement;
- vii. the approval of Creative Big Loan Capitalisation Agreement and the transactions contemplated thereunder and the Specific Mandate by more than 50% of the Shareholders at the EGM by way of poll; and
- viii. the occurrence of the completion of Creative Big Loan Capitalisation Agreement shall not trigger any mandatory general offer obligation under Rule 26.1 of the Takeovers Code upon Creative Big and the party(ies) acting in concert.

None of the conditions precedent above can be waived by the parties. As at the date of this announcement, 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 date of this announcement, none of the conditions precedent has been satisfied.

If the conditions precedent of the Creative Big Loan Capitalisation Agreement have not been satisfied on or before 31 December 2024 (or such later date as may be agreed by all the parties hereto 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 all the parties hereto 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 date of this announcement 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 date of this announcement; and (ii) approximately 86.4% of the number of issued Shares as enlarged by the Connected Shares.

PRINCIPAL TERMS OF CPSs

The principal terms of the CPSs are summarised as below.

Issuer

The Company

Par value

HK\$0.0125 each

Maturity Date

CPSs are perpetual and have no maturity date

Interest rate

Nil

Subscription price

HK\$0.1 per CPS

Conversion rights

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

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

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

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

Restriction on conversion

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

Preferred distribution

During the first five years from the Date of Issue, each holder of issued CPS has the right to receive a preferred distribution at the fixed rate of 5.0% per annum on the aggregate issue price of the CPSs paid by the initial subscriber for its initial subscription, payable annually in arrears on each anniversary of the Date of Issue until the 5th anniversary of the Date of Issue (each, an “**Annual Payment Date**”), subject to the sole discretion of the Company to defer any such payment for a maximum period of 10 years from the date when such payment falls due by giving written notice to the holders of CPSs prior to the relevant Annual Payment Date. Each of such preferred distribution is cumulative. The holders of CPSs do not have any right to receive any preferred distribution after the 5th anniversary of the Date of Issue, except for any unpaid distribution accrued during the first five anniversary years.

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

Dividends

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

Voting rights

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

Return of Capital

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

- (a) firstly, to the holders of CPSs, *pari passu* as between themselves, an amount equal to the aggregate nominal amount paid up or credited as paid up on all issued and outstanding CPSs (so long as the Company has not redeemed such CPSs, or such CPSs remain non-converted), on a basis pro-rata to the aggregate of the nominal amounts of the CPSs held by each of the holders of CPSs;
- (b) secondly, to the holders of the Ordinary Shares, *pari passu* as between themselves, an amount equal to the aggregate nominal amount paid up or credited as paid up on all issued and outstanding Ordinary Shares, on a basis pro-rata to the aggregate of the nominal amounts of the Ordinary Shares held by each of the holders of the Ordinary Shares; and
- (c) the remaining balance of such assets shall belong to and be distributed on a *pari passu* basis among the holders of any class of shares of the Company including the CPSs, other than any other shares not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amounts of shares in the Company held by them respectively.

Redemption

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

Transferability

Each CPS may be transferred by the holder thereof after the respective dates of issue of the CPSs which are to be transferred without restriction, provided that the holder thereof shall give prior notice to the Company and (if applicable) the Stock Exchange where the transferee is a connected person of the Company (as defined in the GEM Listing Rules).

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 18.7% to the closing price of HK\$0.123 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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 date of this announcement); 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 date of this announcement).

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 Directors (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 the Independent Financial Adviser) consider that the subscription price of HK\$0.1 is fair and reasonable.

As the subscription amount payable by (i) IAM of approximately HK\$123,254,146 under the IAM Loan Capitalisation Agreement shall be satisfied by capitalising the IAM Debt; (ii) Quantum of approximately HK\$15,000,000 under the Quantum Loan Capitalisation Agreement shall be satisfied by capitalising the Quantum Debt; and (iii) Creative Big of approximately HK\$54,760,959 under the Creative Big Loan Capitalisation Agreement shall be satisfied by capitalising the Creative Big Debt, the Group will use its internal resources to settle the professional fees and all related expenses which may be borne by the Company 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.

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 date of this announcement.

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 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 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 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 IAM Loan Capitalisation with a view to alleviate the cashflow pressure of the Group.

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 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, and were of the view that they are less feasible than the issuance of the CPSs, because (a) the Group recorded net liabilities and have 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; and (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.

In view of the above, the Company 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; and (ii) will eliminate the financial 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 the Mainland China and Hong Kong. The Group will continue to focus on the "Internet Plus" business in the future. Leveraging on its years of experience and know-how in "Internet Plus" supply chain services as well as its cooperation 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 the Independent Financial Adviser) 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 (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 the Independent Financial Adviser) is of the view that the Loan Capitalisation is in the interest of the Group and the Shareholders as a whole, which allows the Group to (i) improve its liquidity and strengthen its capital position; and (ii) reduce the Group's gearing ratio so as to enhance the Group's debt financing capacities in the future.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

	As at the date of this announcement		Immediately after the issue of the Connected Shares		Immediately after (a) the issue of the Connected Shares and (b) full conversion of IAM CPSs and Creative Big CPSs (Note 2)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
IAM	21,694,520	11.8	321,694,520	50.7	1,254,235,980	59.3
Quantum	-	-	150,000,000	23.7	150,000,000	7.1
Sub-total of IAM, Quantum and the parties acting in concert with them	21,694,520	11.8	471,694,520	74.4	1,404,235,980	66.4
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
Public Float	134,900,961	73.4 (Note 3)	161,998,535	25.6	161,998,535	7.7 (Note 4)
Total	183,693,055	100.0	633,693,055	100.0	2,113,844,105	100.0

Note:

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

INFORMATION OF THE GROUP

The principal activities of the Group are the provision of Internet Plus services (solution and 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 date of this announcement, IAM is interested in 21,694,520 Shares, representing approximately 11.8% of the total issued share capital of the Company and is therefore a substantial Shareholder.

INFORMATION OF QUANTUM

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

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

INFORMATION OF CREATIVE BIG

Creative Big is a BVI business company incorporated with limited liability and is wholly and

beneficially owned by Mr. CHIU Sin Nang Kenny (“**Mr. Chiu**”) who is also the sole director of Creative Big. Creative Big is principally engaged in investment holding.

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

Company	Position	Period of Service
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 and Mr. Chiu have 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 date of this announcement.

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

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.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, IAM and parties acting in concert with it are 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 will be 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 and its concert parties will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the IAM Loan Capitalisation and the Quantum Loan Capitalisation will not proceed.

As at the date of this announcement, 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). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. 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.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of this announcement, 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 this 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 this announcement and the completion of IAM Loan Capitalisation and Quantum Loan Capitalisation;
- c. save as disclosed in the section headed “Effect on Shareholding Structure of the Company” in this announcement, 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. 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 in the Company;

- e. 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;
- f. 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 resolution 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;
- g. 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;
- h. none of the 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;
- i. 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;
- j. 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;
- k. 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; and
- l. there is no any agreement, arrangement or understanding (including any compensation arrangement) between (a) IAM, Quantum, Mr. YAM Tak Cheung and parties acting in concert with any of them and (b) any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder, the Connected Specific Mandate and/or the Whitewash Waiver.

As at the date of this announcement, 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.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, 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 incurred or to be incurred 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.

Given that IAM has a material interest in the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement, IAM and its associates are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement, the respective transactions contemplated thereunder and the grant of the Connected Specific Mandate.

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.

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 Limited 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.

EGM

The EGM will be convened and held to consider and, if thought fit, approving, among other things, (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 Lona 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.

CIRCULAR

A circular containing, among others 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 the Independent Financial Adviser to the LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders; and (v) a notice convening the EGM is required to be despatched to the Shareholders within 15 business days from the date of this announcement pursuant to Rule 20.66 of the GEM Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier.

As the Capital Reorganisation and the Loan Capitalisation are conditional upon the satisfaction of certain conditions precedent, the Capital Reorganisation and/or the Loan Capitalisation may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“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

<p>“Code Independent Board Committee”</p>	<p>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</p>
<p>“Company”</p>	<p>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)</p>
<p>“Companies Act”</p>	<p>the Companies Act of the Cayman Islands as consolidated and revised</p>
<p>“Connected Shares”</p>	<p>collectively IAM Shares and Quantum Shares</p>
<p>“Connected Specific Mandate”</p>	<p>a specific mandate to be sought from the Independent Shareholders to allot, issue or otherwise deal in the Connected Shares and IAM CPS, and the Ordinary Shares to be allotted and issued upon exercise of the conversion rights of the IAM CPSs</p>
<p>“Conversion Period”</p>	<p>the period of 10 years starting from the Date of Issue and ending on the 10th anniversary of the Date of Issue</p>
<p>“Conversion Notice”</p>	<p>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</p>
<p>“Converting Shareholder”</p>	<p>a holder of CPSs all or some of whose CPSs are being or have been converted into Ordinary Shares</p>

“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
“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
“Directors”	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 Memorandum and Articles of Association”	the existing second amended and restated memorandum and articles 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
“Independent Financial Adviser”	an 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
“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
“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)

“Proposed Amendments”	the proposed amendments to the Existing Memorandum and Articles of Association currently in force
“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
“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
“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(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
“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
“Specific Mandate”	a specific mandate to be sought from the Shareholders to allot, issue or otherwise deal in the Creative Big CPSs and the Ordinary Shares to be allotted and issued upon exercise of the conversion rights of the Creative Big CPSs
“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 and Share Buy-backs
“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.

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, 14 June 2024

As at the date of this announcement, the Board comprises Mr. HO Kam Kin and Ms. KWOK Shuk Yi as executive Directors, Dr. CHENG Yanjie as non-executive Director and Mr. LAU Fai Lawrence, Mr. HSU Dong An and Mr. HEUNG Pik Lun as independent non-executive Directors.

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

The directors of IAM and Quantum jointly and severally accept full responsibility for accuracy of the information contained in this announcement (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 announcement (other than that relating to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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