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Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

CONNECTED TRANSACTION PROPOSED AMENDMENTS TO THE TERMS OF THE CONVERTIBLE BONDS

Reference is made to the announcements (the “**Announcements**”) of Sinopharm Tech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 13 January 2014, 17 January 2014, 18 January 2017, 18 January 2018, 17 January 2019 and 7 February 2020. Unless the context requires otherwise, capitalized terms used herein but not otherwise defined shall have the same meanings as those given to them in the Announcements.

On 13 January 2014, the Company entered into the Subscription Agreement with the Subscriber, as the Bondholder pursuant to which the Company conditionally agreed to issue the Convertible Bonds due 2017, in the aggregate principal amount of HK\$89,625,000, to the Bondholder. On 17 January 2014, the Company completed to issue the Convertible Bonds to the Bondholder pursuant to the Subscription Agreement. On 18 January 2017, 18 January 2018, 17 January 2019 and 7 February 2020, the Company entered into the First Amendment Agreement, the Second Amendment Agreement, the Third Amendment Agreement and the Fourth Amendment Agreement with the Bondholder respectively to amend certain terms and conditions of the Convertible Bonds.

As disclosed in the announcement of the Company dated 7 February 2020, the Convertible Bonds was due on 17 January 2021 pursuant to the Fourth Amendment Agreement. As at the date of this announcement, the total number of issued Shares is 4,289,724,633 Shares. None of the Convertible Bonds have been redeemed nor converted and the Bondholder has not exercised its right to demand immediate repayment of the outstanding amounts due under the terms of the Convertible Bonds.

THE FIFTH AMENDMENT AGREEMENT

The Board announces that on 19 January 2021 (after trading hours), the Company and the Bondholder entered into the Fifth Amendment Agreement. Principal terms of the Fifth Amendment Agreement are set out below:-

Date : 19 January 2021

Parties : The Company and the Bondholder

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, as at the date of this announcement, the Bondholder is interested in 461,733,000 Shares (excluding such number of Shares which may be converted upon exercise of conversion rights of the Bondholder under the Convertible Bonds), representing approximately 10.76% of the issued Shares of the Company. Therefore, the Bondholder is a substantial Shareholder and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules.

Pursuant to the Fourth Amendment Agreement, if all conversion rights attaching to the Convertible Bonds in the principal amount of HK\$89,625,000 are exercised by the Bondholder in full, for a maximum number of 263,602,941 Shares to be allotted and issued to the Bondholder and thereafter Bondholder will be interested in 725,335,941 Shares, representing approximately 16.91% of the current issued Share capital of the Company and approximately 15.93% of the enlarged issued Share Capital of the Company.

The Proposed Amendments

Pursuant to the Fifth Amendment Agreement, the Company and the Bondholder agreed to amend the term and condition of the Convertible Bonds is as follows:

1. The Conversion Price of the Convertible Bonds shall be amended from HK\$0.34 per Share to HK\$0.221 per Share, which can be converted into for the maximum number of 405,542,986 Shares.
2. The Maturity Date of the Convertible Bonds issued under the Subscription Agreement shall be extended for one year from 17 January 2021 to 17 January 2022.
3. Clause 5 of Schedule 2 set in the Subscription Agreement regarding the bearing interest rate of the Convertible Bonds shall be increased to 10% per annum and interest shall be paid annually from the date of the Fifth Amendment Agreement.

Save and except for the aforesaid, there are no other amendments to the terms of the Convertible Bonds.

Conditions Precedent

Pursuant to the Fifth Amendment Agreement, the Proposed Amendments shall be subject to the following conditions precedent:-

- i) all necessary consents and approvals required to be obtained on part of the Company in respect of the Proposed Amendments having been obtained;
- ii) passing of all necessary resolutions by the Independent Shareholders at the EGM to approve the Fifth Amendment Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate; and.
- iii) approval from the Stock Exchange having been granted for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange during the Conversion Period.

None of the above conditions could be waived by the parties to the Fifth Amendment Agreement. As at the date of this announcement, none of the conditions have been fulfilled.

Adjusted Conversion Price per Conversion Share

The adjusted Conversion Price of HK\$0.221 per Conversion Share represents:

- i) a discount of approximately 19.64% to the closing price per Share of HK\$0.275 as quoted on the Stock Exchange on 19 January 2021 (the date of the Fifth Amendment Agreement);
- ii) a discount of approximately 15.26% to the average closing price per Share of approximately HK\$0.261 as quoted on the Stock Exchange for the last five consecutive trading dates up to and including 19 January 2021 (the date of the Fifth Amendment Agreement); and
- iii) a premium of approximately 3.22% to the average closing price per Share of approximately HK\$0.214 as quoted on the Stock Exchange for the last twenty consecutive trading dates up to and including 19 January 2021 (the date of the Fifth Amendment Agreement).

The Conversion Price was determined based on arm's length negotiations between the parties with reference to the prevailing market prices of the Shares as quoted on the Stock Exchange.

At the time of negotiation with the Bondholder, the adjusted Conversion Price was determined with reference more to the average closing price per Share as quoted on the Stock Exchange for the last twenty consecutive trading days and including the date of the Fifth Amendment Agreement.

Specific Mandate for the Issuance of the Conversion Shares

Under the Fifth Amendment Agreement, the Conversion Price, which is adjusted from HK\$0.34 per Share to HK\$0.221 per Share, which can be converted into the maximum number of 405,542,986 Shares adjusted from 263,602,941 Shares upon conversion of the Convertible Bonds in full. As result of the Proposed Amendments, the Conversion Shares of 405,542,986 at the adjusted Conversion Price of HK\$0.221 will be allotted and issued by the Company. In view of the fact that the Proposed Amendments are effectively a new arrangement that involves the allotment and issue of new Shares, issuance of all of 405,542,986 Conversion Shares shall be subject to the Independent Shareholders' approval.

Listing application

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission of deal in, the Conversion Shares falling to be allotted and issued under the terms and conditions of the Convertible Bonds.

Ranking of Conversion Shares

The Conversion Shares, when fully paid, issued and allotted, will rank *pari passu* in all respects with all Shares in issue as at the date of issuance of the Conversion Shares.

REASONS FOR THE PROPOSED AMENDMENTS

The principal activities of the Group are provision of (i) lottery-related services, (ii) internet plus services (solution and supply chain), (iii) manufacturing and distribution of personal protective equipment and (iv) others services.

The Bondholders is principally engaged in investment holding, which wholly owned by Mr. YAM Tak Cheung.

The Proposed Amendments were arrived at after arm's length negotiation between the Company and the Bondholder. The Board considers that the extended time for the repayment to the Bondholder will be beneficial to the Company and its operations by mitigating the pressure on its cashflows.

Furthermore, with reference to the maximum closing price of HK\$0.275 for the last 126 consecutive trading days up to and including the date of the Fifth Amendment Agreement, there was no incentive for the Bondholder to convert the Convertible Bonds in the last half year as the maximum closing price is still lower than the conversion price of HK\$0.34. As requested by the Bondholder, the extension in time should make an adjustment on the Conversion Price which makes it closer to the prevailing market price, it will incentivize the Bondholder to convert all or part of the Convertible Bonds not previously converted. It will be beneficial to the Company by mitigating the pressure on its cashflows.

Based on the above, the Board is of the view that the terms of the Fifth Amendment Agreement and the Convertible Bonds (as amended by the Fifth Amendment Agreement) are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

None of the Directors and their respective associates has material interest in the Fifth Amendment Agreement, the Proposed Amendments and the transactions contemplated thereunder and no Director was required to abstain from voting on the Board resolutions in relation to the Fifth Amendment Agreement, the Proposed Amendments and the transactions contemplated thereunder.

FUND RAISING ACTIVITY IN THE PAST TWELVE-MONTH PERIOD

Save for the fundraising activity mentioned below, the Board confirms that there has not been any fund raising exercise made by the Company in the twelve months immediately preceding the date of this announcement.

Date of announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
03/01/2020 02/03/2020	Issue of 200,000,000 units of unlisted warrants under specific mandate at the issue price of HK\$0.04 per warrant and exercise price of HK\$0.35 per warrant share	Approximately HK\$8.0 million on completion of the issue of warrants on 2 March 2020, and approximately HK\$70.0 million upon exercise of the warrants. As at the date of this announcement, the warrants have not been exercised.	General working capital, repayment of debts and future investment of the Group	Utilized as intended

CHANGES IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) for illustration purpose only, immediately after all the allotment and issuance of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds at HK\$0.221 per Share, assuming there is no change in the number of issued Shares from the date of this announcement up to the date of allotment and issue of the Conversion Shares is as follows:

Shareholders	As at the date of this announcement		Immediately after all allotment and issuance of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors				
Madam Cheung Kwai Lan	4,656,000	0.11	4,656,000	0.10
Mr. Chan Tung Mei	3,020,000	0.07	3,020,000	0.07
Dr. Cheng Yanji	1,965,000	0.05	1,965,000	0.04
Mr. Chau Wai Wah Fred	3,800,000	0.09	3,800,000	0.08
Sub-total	13,441,000	0.32	13,441,000	0.29
Sinopharm Traditional Chinese Medicine Overseas Holdings Limited	650,000,000	15.15	650,000,000	13.84
Best Frontier Investments Limited (<i>Note 1</i>)	632,920,856	14.75	632,920,856	13.48
Integrated Asset Management (Asia) Limited (“ Integrated Asset ”) and its concert parties (<i>Note 2</i>)	461,733,000	10.76	867,275,986	18.47
Public Shareholders	2,531,629,777	59.02	2,531,629,777	53.92
Total	4,289,724,633	100.00	4,695,267,619	100.00

Notes:

1. The 632,920,856 Shares were held by Best Frontier Investments Limited which was owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouses to each other and each a Director.
2. The 461,733,000 Shares were owned by Integrated Asset which was wholly-owned by Mr. YAM Tak Cheung. 8% coupon convertible bonds in aggregate amount of HK\$89,625,000 (the “CBs”) for a term of six months maturing on 17 July 2017 were issued to Integrated Asset pursuant to the first amendment agreement dated 18 January 2017 approved by the Shareholders at the extraordinary

general meeting of the Company held on 29 March 2017. The Company received a written consent from Integrated Asset, on which the maturity date of the CBs would be extended for further six months to 17 January 2018. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full. The amended conversion price was HK\$0.359 per conversion share subject to adjustment.

Pursuant to the second amendment agreement approved by the Shareholders at the extraordinary general meeting of the Company held on 18 April 2018, the amendments were that the maturity date of the CBs was extended for six months from 17 January 2018 to 17 July 2018, and further extended to 17 January 2019 upon a prior written consent from Integrated Asset. Such written consent from Integrated Asset has been received by the Company. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full.

Pursuant to the third amendment agreement approved by the Shareholders at the extraordinary general meeting of the Company held on 19 March 2019, the amendments were that the maturity date of the CBs was extended for six months from 17 January 2019 to 17 July 2019, and further extended to 17 January 2020 upon a prior written consent from Integrated Asset. Such written consent from Integrated Asset has been received by the Company. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full.

As a result of the adjustments of the CBs on 10 May 2019 upon the allotment and issue of the consideration shares to Sinopharm Traditional Chinese Medicine Overseas Holdings Limited, a maximum number of 263,602,941 Shares shall be allotted and issued to Integrated Asset upon conversion of the CBs in full. The adjusted conversion price is HK\$0.34 per conversion share subject to further adjustment.

Pursuant to the fourth amendment agreement approved by the Shareholders at the extraordinary general meeting of the Company held on 25 March 2020, the amendments were that the maturity date of the CBs was extended for six months from 17 January 2020 to 17 July 2020, and further extended to 17 January 2021 upon a prior written consent from Integrated Asset. Such written consent from Integrated Asset has been received by the Company. A maximum number of 263,602,941 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full.

Upon completion of the Fifth Amendment Agreement, a maximum number of 405,542,986 Shares will be allotted and issued to Integrated Asset upon conversion of the Convertible Bonds in full and thereafter the shareholding of Integrated Asset will be increased to approximately 20.22% of the current issued Share capital of the Company and approximately 18.47% of the enlarged issued Share capital of the Company. The adjusted Conversion Price is HK\$0.221 per Conversion Share subject to adjustment.

GEM LISTING RULES IMPLICATION

Pursuant to Rule 34.05 of the GEM Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the Proposed Amendments contemplated under the Fifth Amendment Agreement pursuant to Rule 34.05 of the GEM Listing Rules.

As at the date of this announcement, the Bondholder is interested in 461,733,000 Shares, representing approximately 10.76% of the issued Share capital of the Company. Accordingly, the Bondholder is a substantial Shareholder and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. Accordingly, the Proposed Amendments as contemplated under the Fifth Amendment Agreement constitutes a connected transaction of the Company under the GEM Listing Rules.

As the Proposed Amendments does not fall into any exemption under Rule 20.71 of the GEM Listing Rules, the Proposed Amendments is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Bondholder and its associates will abstain from voting in the EGM for approval of the Fifth Amendment Agreement, the Proposed Amendments and the transactions contemplated thereunder.

The EGM will be convened and held for the purpose of considering, and if thought fit, approving the Fifth Amendment Agreement and the transactions contemplated thereunder, including the Proposed Amendments and the Specific Mandate for the issue and allotment of the Conversion Shares. The Bondholder and its associates will abstain from voting at the EGM on the resolution(s) relating to the Fifth Amendment Agreement and all transactions contemplated thereunder. Other than the Bondholder and its associates, none of the Shareholders has a material interest in the transactions contemplated under the Fifth Amendment Agreement and accordingly, no other Shareholder will be required to abstain from voting on the relevant resolutions(s) at the EGM.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders and the Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Proposed Amendments.

A circular containing, amongst other things, (i) further details of the Fifth Amendment Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Fifth Amendment Agreement; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 9 February 2021 in accordance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Bondholder” or “Subscriber”	Integrated Asset
“Conversion Period”	the period from 18 January 2021 to 17 January 2022
“Conversion Shares”	the maximum number of 405,542,986 new Shares which may be allotted and issued upon conversion of the Convertible Bonds in full
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve the Fifth Amendment Agreement and the transactions contemplated therein, including the grant of the Specific Mandate to issue the Conversion Shares
“Fifth Amendment Agreement”	the fifth amendment agreement dated 19 January 2021 entered into between the Company and the Bondholder in relation to the Proposed Amendments
“First Amendment Agreement”	the amendment agreement dated 18 January 2017 entered into between the Company and the Bondholder

“Fourth Amendment Agreement”	the fourth amendment agreement dated 7 February 2020 entered into between the Company and the Bondholder
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Fifth Amendment Agreement and the transaction contemplated thereunder, including Proposed Amendments and the grant of the Specific Mandate to issue the Conversion Shares
“Independent Shareholder(s)”	Shareholders other than those who have a material interest in the relevant resolutions to be proposed at the EGM
“Integrated Asset”	Integrated Asset Management (Asia) Limited, a limited company incorporated in the British Virgin Islands
“Proposed Amendments”	the proposed amendments to the Convertible Bonds pursuant to the terms of the Fifth Amendment Agreement
“Second Amendment Agreement”	the second amendment agreement dated 18 January 2018 entered into between the Company and the Bondholder
“Share(s)”	ordinary share of HK\$0.0125 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares
“Specific Mandate”	the specific mandate to be granted to the Directors at the EGM for the allotment and issuance of the Conversion Shares to the Bondholder upon an exercise of the conversion rights
“Third Amendment Agreement”	the third amendment agreement dated 17 January 2019 entered into between the Company and the Bondholder

By Order of the Board
Sinopharm Tech Holdings Limited
 國藥科技股份有限公司
CHAN Ting
Chairperson

Hong Kong, 19 January 2021

As at the date of this announcement, the Board comprises Mr. CHAN Ting as executive Director, Madam CHEUNG Kwai Lan, Mr. CHAN Tung Mei and Dr. CHENG Yanjie as non-executive Directors and Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. CHAU Wai Wah Fred 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.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the website of the Company at www.sinopharmtech.com.hk.