
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

CONNECTED TRANSACTIONS: LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER GENERAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

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

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter from BaoQiao Partners, being the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 34 of this circular.

A notice convening the EGM of the Company to be held at Units 01-03, 25/F., Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong on Monday, 11 October 2021 at 11:00 a.m. is set out on pages 40 to 42 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

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

23 September 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 20 November 2020
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which licensed banks are generally open for banking business in Hong Kong, other than Saturdays, Sundays and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a black rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Sinopharm Tech Holdings Limited (Stock Code: 08156), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider, and if thought fit, approving (among others) the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement and the transactions contemplated thereunder
“First Loan Capitalisation Agreement”	the loan capitalisation agreement dated 8 June 2021 entered into between the Company and the First Subscriber in respect of the Loan Capitalisation
“First Subscriber”	Mr. CHAN Ting, the chairperson, an executive Director, the chief executive officer of the Company and a director of Best Frontier Investments Limited
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

DEFINITIONS

“General Mandate”	the general mandate granted to the Directors at the AGM, pursuant to which a maximum of 857,944,926 new Shares may be allotted and issued
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which has been formed in respect of the Loan Capitalisation Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “BaoQiao Partners”	BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those who are required under the GEM Listing Rules to abstain from voting at the EGM for the resolution(s) approving the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement, the Third Loan Capitalisation Agreement and the transactions contemplated thereunder
“Last Trading Day”	8 June 2021, being the last trading day for the Shares before the entering into of the Loan Capitalisation Agreements
“Latest Practicable Date”	17 September 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“LC Subscription Price”	the issue price of HKD0.26 per Loan Capitalisation Share for the Loan Capitalisation
“Loan Capitalisation”	the allotment and issue of the Loan Capitalisation Shares at the LC Subscription Price pursuant to the terms and conditions of the Loan Capitalisation Agreements
“Loan Capitalisation Agreement(s)”	collectively the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement, and each a “Loan Capitalisation Agreement”

DEFINITIONS

“Loan Capitalisation (CP) Completion”	completion of the transactions under the Loan Capitalisation Agreements pursuant to terms thereunder
“Loan Capitalisation Share(s)”	new Shares to be allotted and issued under the Loan Capitalisation Agreements at the LC Subscription Price, and each a “Loan Capitalisation Share”
“PRC”	The People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“Second Loan Capitalisation Agreement”	the loan capitalisation agreement dated 8 June 2021 entered into between the Company and the Second Subscriber in respect of the Loan Capitalisation
“Second Subscriber”	Madam CHEUNG Kwai Lan, a non-executive Director of the Company and a director and shareholder of Best Frontier Investments Limited
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented and modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.0125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscribers”	collectively the First Subscriber, the Second Subscriber and the Third Subscriber
“substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Third Loan Capitalisation Agreement”	the loan capitalisation agreement dated 8 June 2021 entered into between the Company and the Third Subscriber in respect of the Loan Capitalisation
“Third Subscriber”	Ms. NG Pik Yin, the spouse of a director of the Company’s subsidiary
“%”	per cent.

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



Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

Executive Directors:

Mr. CHAN Ting

(Chairperson and Chief Executive Officer)

Mr. LIAO Zhe

(Chief Operating Officer)

Mr. CHEUK Ka Chun Kevin

Non-executive Directors:

Madam CHEUNG Kwai Lan

(Honorary Chairperson)

Dr. CHENG Yanjie

Independent Non-executive Directors:

Mr. LAU Fai Lawrence

Dr. LIU Ta-pei

Mr. CHAU Wai Wah Fred

Registered office:

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

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

Units 01-03, 25/F.
Corporation Park
11 On Lai Street, Shatin
New Territories, Hong Kong

23 September 2021

To the Shareholders

Dear Sir/Madam,

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

LETTER FROM THE BOARD

INTRODUCTION

The Company announced on 8 June 2021 (after trading hours of the Stock Exchange) that the Company and each of the three Subscribers entered into a loan capitalisation agreement (the three agreements are collectively referred to as the Loan Capitalisation Agreements and each a Loan Capitalisation Agreement) pursuant to which the three Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 133,705,046 Loan Capitalisation Shares, each at the LC Subscription Price of HKD0.26 each. The subscription amount payable by the three Subscribers under the Loan Capitalisation Agreements shall be satisfied by capitalising the outstanding principal amount under the loans owing by the Company to the respective Subscribers.

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

CONNECTED TRANSACTIONS IN RELATION TO LOAN CAPITALISATION AND PROPOSED ISSUE OF NEW SHARES UNDER GENERAL MANDATES

The Board is pleased to announce that on 8 June 2021 (after trading hours of the Stock Exchange), the Company and each of Mr. CHAN Ting (the First Subscriber), Madam CHEUNG (the Second Subscriber) and Ms. NG (the Third Subscriber), each a connected person, entered into a Loan Capitalisation Agreement.

PRINCIPAL TERMS OF THE LOAN CAPITALISATION AGREEMENTS WITH CONNECTED PERSONS

The First Loan Capitalisation Agreement

Date: 8 June 2021 (after trading hours)

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

As at the date of the First Loan Capitalisation Agreement, Mr. CHAN Ting is the Chairperson, an executive Director, the chief executive officer of the Company and a director of Best Frontier Investments Limited (a substantial Shareholder). Accordingly, Mr. CHAN Ting is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

On 11 February 2021, Mr. CHAN Ting provided the Company with a loan in the principal amount of HKD6,000,000 as a support to the Company’s business and daily operation. Under the written terms of the loan letter dated of the First Loan Capitalisation

LETTER FROM THE BOARD

Agreement, the loan is interest free and will be due for repayment on demand. As at the date of the First Loan Capitalisation Agreement, Mr. CHAN Ting has not requested repayment for any portion of the loan and the outstanding principal amount of the loan amounted to HKD6,000,000.

In consideration of Mr. CHAN Ting agreeing to capitalize the outstanding principal amount of the loan set out above, the Company conditionally agreed to allot and issue, and Mr. CHAN Ting conditionally agreed to subscribe for 23,076,923 Loan Capitalisation Shares at the LC Subscription Price. Upon completion, the said outstanding sum shall be deemed to have been fully repaid and the Company shall be released from its obligations under the loan.

The Second Loan Capitalisation Agreement

Date: 8 June 2021 (after trading hours)

Parties: (i) the Company, as issuer; and
(ii) Madam CHEUNG Kwai Lan (“**Madam CHEUNG**”), the Second Subscriber

As at the date of the Second Loan Capitalisation Agreement, Madam CHEUNG is a non-executive Director of the Company and a director and shareholder of Best Frontier Investments Limited (a substantial Shareholder). Accordingly, Madam CHEUNG is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

From the period from 28 December 2018 to 8 June 2021, Madam CHEUNG provided the Company with a loan in the principal amount of HKD23,183,312 as a support to the Company’s business and daily operation. Under the written terms of the loan letter dated of the Second Loan Capitalisation Agreement, the loan is interest free and will be due for repayment on demand. As at the date of the Second Loan Capitalisation Agreement, Madam CHEUNG has not requested repayment for any portion of the loan and the outstanding principal amount of the loan amounted to HKD23,183,312.

In consideration of Madam CHEUNG agreeing to capitalize the outstanding principal amount of the loan set out above, the Company conditionally agreed to allot and issue, and Madam CHEUNG conditionally agreed to subscribe for 89,166,585 Loan Capitalisation Shares at the LC Subscription Price. Upon completion, the said outstanding sum shall be deemed to have been fully repaid and the Company shall be released from its obligations under the loan.

The Third Loan Capitalisation Agreement

Date: 8 June 2021 (after trading hours)

Parties: (i) the Company, as issuer; and
(ii) Ms. Ng Pik Yin (“**Ms NG**”), the Third Subscriber

LETTER FROM THE BOARD

As at the date of the Third Loan Capitalisation Agreement, Ms. NG is the spouse of Mr. Fung King Him Daniel who is the Director of Group Corporate Strategy and the director of various subsidiaries of the Company and is an associate of the said director. Accordingly, Ms. NG is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

On 25 May 2021, Ms. NG provided the Company with a loan in the principal amount of HKD5,580,000 as a support to the Company's business and daily operation. Under the written terms of the loan letter dated the date of the Third Loan Capitalisation Agreement, the loan is interest free and will be due for repayment on demand. As at the date of the Third Loan Capitalisation Agreement, Ms. NG has not requested repayment for any portion of the loan and the outstanding principal amount of the loan amounted to HKD5,580,000.

In consideration of Ms. NG agreeing to capitalize the outstanding principal amount of the loan set out above, the Company conditionally agreed to allot and issue, and Ms. NG conditionally agreed to subscribe for 21,461,538 Loan Capitalisation Shares at the LC Subscription Price. Upon completion, the said outstanding sum shall be deemed to have been fully repaid and the Company shall be released from its obligations under the loan.

Conditions precedent to the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement

The Loan Capitalisation (CP) Completion is conditional upon fulfillment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the Loan Capitalisation Shares to the respective Subscriber;
- (ii) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules in the extraordinary general meeting of the Company to be held and convened approving, *inter alia*, the allotment and issue of the Loan Capitalisation Shares to the respective Subscriber;
- (iii) all necessary corporate approvals and third party consents, including the approval of the Cayman Islands Monetary Authority to the issue of the Loan Capitalisation Shares (if necessary) for the transactions contemplated under the respective Loan Capitalisation Agreement having been obtained;
- (iv) the respective Subscriber being satisfied that the warranties in the Loan Capitalisation Agreement are true and accurate in all respects as at the date of the Loan Capitalisation Agreement and at completion;
- (v) the allotment and issue of the Loan Capitalisation Shares does not trigger the obligations to make a mandatory general offer under The Code on Takeovers and Mergers and Share Buy-backs; and

LETTER FROM THE BOARD

- (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 any of the Loan Capitalisation Agreements.

For each of the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement, none of the above-mentioned conditions is waivable. If any of the above-mentioned conditions are not fulfilled on or before 17 September 2021 (the “**Long Stop Date**”) (or such other time and date as the parties shall agree in writing) for the respective Loan Capitalisation Agreement, the respective Loan Capitalisation Agreement shall terminate and cease to have any effect and the rights and obligations of the parties thereunder shall forthwith cease and terminate. With reference to the announcement of the Company dated 17 September 2021, the above Long Stop Date was extended by the parties in writing on 17 September 2021 to 29 October 2021.

Loan Capitalisation Shares

Assuming that there will be no change in the number of issued Shares between the date of this circular and the completion of each of the Loan Capitalisation Agreements, the aggregate of 133,705,046 Loan Capitalisation Shares which may be allotted and issued under the three Loan Capitalisation Agreements represent (i) approximately 3.04% of the existing number of issued Shares as at the Latest Practicable Date; and (ii) approximately 2.95% of the number of issued Shares as enlarged by the allotment and issue of all the Loan Capitalisation Shares.

The aggregate nominal value of the Loan Capitalisation Shares is HKD1,671,313.08.

LC Subscription Price

The LC Subscription Price of HKD0.26 per Loan Capitalisation Share:

- (i) represents the closing price of HKD0.26 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) represents a premium of approximately 0.39% over the average of the closing price of HKD0.259 per Share quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

The net liability attributable to each Share was HKD0.0195 as at 31 December 2020, being the date to which the latest published unaudited financial statements of the Group were made up.

LETTER FROM THE BOARD

The LC Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market prices of the Shares, the Group's historical performances and present financial position as well as current market condition. The Directors (including the independent non-executive Directors who have given their opinion after considering the advice from BaoQiao Partners, and excluding Mr. CHAN Ting and Madam CHEUNG who have a material interest in the transactions and who have abstained from voting on the resolutions approving the First Loan Capitalisation Agreement and the Second Loan Capitalisation Agreement, Mr. Chan Tung Mei who is the parent of Mr. CHAN Ting and the spouse of Madam Cheung) considers that the LC Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net issue price, after deduction of relevant expenses, is estimated to be approximately HKD0.26 per Loan Capitalisation Share.

Completion

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

Ranking of the Loan Capitalisation Shares

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

Application for listing

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

General Mandate

The Loan Capitalisation Shares will be allotted and issued under the General Mandate granted to the Directors at the AGM, subject to the limit of 857,944,926 Shares (representing 20% of the number of Shares in issue on the date which the General Mandate was granted). As at the Latest Practicable Date, the General Mandate of 58,606,927 Shares has been utilised. The 133,705,046 Loan Capitalisation Shares to be allotted and issued will utilise approximately 15.58% of the General Mandate.

REASONS FOR THE LOAN CAPITALISATION

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

LETTER FROM THE BOARD

The Directors consider that the loan capitalisation under the Loan Capitalisation Agreements will allow the Company to settle the outstanding sums owing by the Company to the Subscribers without utilising existing financial resources of the Group while reducing the gearing level and hence strengthening the financial position of the Group.

In view of the above and taking into account the LC Subscription Price for the allotment and issue of new Shares to the Subscribers, the Directors (including the independent non-executive Directors who have given their opinion after considering the advice from BaoQiao Partners, and excluding Mr. CHAN Ting and Madam CHEUNG who had abstained from voting at all the Board resolutions approving the Loan Capitalisation Agreement in respect of himself and herself, Mr. Chan Tung Mei who is the parent of Mr. CHAN Ting and spouse of Madam Cheung) consider that the terms of each of the Loan Capitalisation Agreements including the LC Subscription Price are on normal commercial terms, fair and reasonable and the entering into of each of the Loan Capitalisation Agreements is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the two convertible bonds in aggregate amount of HK\$89,625,000 and HK\$50,000,000 (the “**Convertible Bonds**”) and the outstanding loans and other borrowings of approximately HK\$10,011,000, the Company does not have any other outstanding loans which are not subject to the Loan Capitalisation. The Company has no intention or plan to capitalise the above mentioned loans and other borrowings. The Company will seek for any possibilities of fund raising activities continuously for the repayment of the Convertible Bonds, the outstanding loans and other borrowings. Furthermore, the Company will discuss with the bondholder of the Convertible Bonds to consider any possibilities to convert all or part of the Convertible Bonds.

Due to the current cash position of the Group with only bank balances and cash of approximately HK\$2.67 million as at 31 December 2020, the Group itself has insufficient financial resources to settle all outstanding borrowings owing by the Company to the Subscribers, which are connected persons, and other third parties. In order to reduce the gearing level under the current financial position of the Group and due to the willingness of the lenders to capitalise the loans, the Board decided to settle the loans through the Loan Capitalisation with the Subscribers, and the third parties under the Fourth Loan Capitalisation Agreement and the Fifth Loan Capitalisation Agreement as defined in the announcement of the Company dated 8 June 2021 without utilizing existing financial resources of the Group.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company did not conduct any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this circular.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 4,403,983,734 Shares in issue. Assuming there will be no further changes in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Loan Capitalisation Shares, the shareholding structure of the Company (i) as at the date of Last Practicable Date; and (ii) immediately after the allotment and issue of the 133,705,046 Loan Capitalisation Shares in full, are set out as below for illustration purposes only:

Shareholders	As at the Latest Practicable Date		Shareholding immediately after allotment and issue of the Loan Capitalisation Shares in full (Note 3)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors				
Mr. CHEUK Ka Chun Kevin	178,000	0.00	178,000	0.00
Dr. CHENG Yanji	1,965,000	0.04	1,965,000	0.04
Mr. CHAU Wai Wah Fred	3,800,000	0.09	3,800,000	0.09
Mr. CHAN Ting				
— First Subscriber	—	—	23,076,923	0.51
Madam Cheung Kwai Lan				
— Second Subscriber	4,656,000	0.11	93,822,585	2.07
Sub-total	10,599,000	0.24	122,842,508	2.71
Sinopharm Traditional Chinese Medicine Overseas Holdings Limited	650,000,000	14.76	650,000,000	14.32
Best Frontier Investments Limited (“Best Frontier”) (Note 1)	632,920,856	14.37	632,920,856	13.95
Integrated Asset Management (Asia) Limited (“Integrated Asset”) and its concert parties (Note 2)	526,283,000	11.95	526,283,000	11.60
Sub-total	1,809,203,856	41.08	1,809,203,856	39.87
Third Subscriber	2,150,000	0.05	23,611,538	0.52
Public Shareholders	2,582,030,878	58.63	2,582,030,878	56.90
Total	4,403,983,734	100.00	4,537,688,780	100.00

Notes:

- The 632,920,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG Kwai Lan (“Madam CHEUNG”) and Mr. CHAN Tung Mei (“Mr. CHAN”) respectively. In addition, Madam CHEUNG and Mr. CHAN directly held 4,656,000 Shares and 3,020,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN so both of them were deemed to be interested in the Shares. An interest in 210,000,000 Shares as security was provided by Best Frontier to a person other than a qualified lender on 4 December 2020 and the security was released on 15 September 2021.

LETTER FROM THE BOARD

2. The 526,283,000 Shares were owned by Integrated Asset which was wholly-owned by Mr. YAM Tak Cheung. 8% coupon convertible bonds in aggregate amount of HK\$89,625,000 (the “CBs”) for a term of six months maturing on 17 July 2017 were issued to Integrated Asset pursuant to the first amendment agreement dated 18 January 2017 approved by the Shareholders at the extraordinary general meeting of the Company held on 29 March 2017. The Company received a written consent from Integrated Asset, on which the maturity date of the CBs would be extended for further six months to 17 January 2018. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full. The amended conversion price was HK\$0.359 per conversion share subject to adjustment.

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

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

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

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

An ordinary resolution was passed at the extraordinary general meeting of the Company held on 22 March 2021 to approve the fifth amendment agreement to amend some principal terms of the CBs, including to extend the maturity date of the CBs for one year from 17 January 2021 to 17 January 2022. Its conversion price shall be amended from HK\$0.34 to HK\$0.221 per conversion share subject to adjustment), which can be converted into the maximum number of 405,542,986 Shares. The interest rate of the CBs shall be increased to 10% per annum and paid annually (the “**Fifth Amendments**”). Save for the Fifth Amendments, all other terms and conditions of the CBs shall remain unchanged.

3. The shareholding has reflected the Loan Capitalisation Shares issued under the Fourth Loan Capitalisation Agreement and the Fifth Loan Capitalisation Agreement as defined in the announcement of the Company dated 8 June 2021.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE GEM LISTING RULES

As the First Subscriber is an executive Director, the chief executive officer of the Company and a director of Best Frontier Investments Limited (a substantial Shareholder); the Second Subscriber is a non-executive Director of the Company and a director and shareholder of Best Frontier Investments Limited; and the Third Subscriber is an associate of a director of the Company's subsidiary, the First Subscriber, the Second Subscriber and the Third Subscriber are connected persons of the Company under the GEM Listing Rules. Therefore, the entering into of the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement and the subscription contemplated respectively thereunder constituted a connected transaction for the Company and is subject to the reporting, announcement, independent financial advice and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The three Loan Capitalisation Agreements are not inter-conditional with each other.

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

LETTER FROM THE BOARD

Each of the First Subscriber, the Second Subscriber and the Third Subscriber and their respective associates as illustrated in the table below are required to abstain from voting on the resolution(s) at the EGM respectively regarding the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement and the transactions contemplated thereunder:

The parties (the “Parties”) who shall be required to abstain from voting on the resolution(s) at the EGM		Capacity	Shareholding of the Parties as at the Latest Practicable Date (Note)	
			<i>Number of Shares</i>	<i>Approximate %</i>
The First Loan Capitalisation Agreement	— The First Subscriber	The contracted party and the Director	4,000,000 (which are share options if being exercised)	0.09
	— The Second Subscriber	by virtue of being an associate (mother) of the First Subscriber	4,656,000 (beneficial interest)	0.11
			4,000,000 (which are share options if being exercised)	0.09
	— Mr. CHAN Tung Mei	by virtue of being an associate (father) of the First Subscriber	3,020,000 (beneficial interest)	0.07
	— Ms. CHAN Siu Sarah	by virtue of being an associate (sister) of the First Subscriber	7,235,000 (beneficial interest)	0.16
			3,600,000 (which are share options if being exercised)	0.08
— Best Frontier Investments Limited (owned as to 99.89% and 0.11% by the Second Subscriber and Mr. CHAN Tung Mei respectively)	by virtue of being an associate of the First Subscriber	632,920,856 (beneficial interest)	14.37	

LETTER FROM THE BOARD

The parties (the “Parties”) who shall be required to abstain from voting on the resolution(s) at the EGM		Capacity	Shareholding of the Parties as at the Latest Practicable Date <i>(Note)</i>	
			<i>Number of Shares</i>	<i>Approximate %</i>
The Second Loan Capitalisation Agreement	— The Second Subscriber	The contracted party and the Director	4,656,000 (beneficial interest)	0.11
			4,000,000 (which are share options if being exercised)	0.09
	— Mr. CHAN Tung Mei	by virtue of being a close associate (spouse) of the Second Subscriber	3,020,000 (beneficial interest)	0.07
	— The First Subscriber	by virtue of being an associate (son) of the Second Subscriber	4,000,000 (which are share options if being exercised)	0.09
	— Ms. CHAN Siu Sarah	by virtue of being an associate (daughter) of the Second Subscriber	7,235,000 (beneficial interest)	0.16
			3,600,000 (which are share options if being exercised)	0.08
	— Best Frontier Investments Limited (owned as to 99.89% and 0.11% by the Second Subscriber and Mr. CHAN Tung Mei respectively)	by virtue of being a close associate of the Second Subscriber	632,920,856 (beneficial interest)	14.37
The Third Loan Capitalisation Agreement	— The Third Subscriber	The contracted party and by virtue of being a close associate (spouse) of a director (Mr. Fung King Him Daniel) of the Company’s subsidiary	2,150,000 (beneficial interest)	0.05
	— Mr. Fung King Him Daniel	by virtue of being a close associate (spouse) of the Third Subscriber	7,698,000 (beneficial interest)	0.17
			26,545,000 (which are share options if being exercised)	0.60

Note:

The shareholding has reflected the Loan Capitalisation Shares issued under the Fourth Loan Capitalisation Agreement and the Fifth Loan Capitalisation Agreement as defined in the announcement of the Company dated 8 June 2021.

LETTER FROM THE BOARD

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

GENERAL

The Loan Capitalisation Agreements and the transactions contemplated thereunder, including the issue and allotment of Loan Capitalisation Shares, are subject to, *inter alia*, the approval of the Independent Shareholders at the EGM.

An Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders and the Company has also appointed BaoQiao Partners to advise the Independent Board Committee and the Independent Shareholders regarding the Loan Capitalisation.

The First Subscriber, the Second Subscriber and Mr. Chan Tung Mei (a non-executive Director as at the date of the Loan Capitalisation Agreements) (the latter two being substantial Shareholders, the parents of the First Subscriber and are spouses to each other) have abstained from voting on the board resolutions regarding the First Loan Capitalisation Agreement and the Second Loan Capitalisation Agreement, the transactions contemplated thereunder and the allotment and issue of the Loan Capitalisation Shares.

EXTRAORDINARY GENERAL MEETING

The resolutions to be proposed at the forthcoming EGM are set out in full in the notice of the EGM on pages 40 to 42 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

If you intend to appoint a proxy to attend the EGM, you are requested to complete the proxy form and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournments thereof if you so wish.

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

LETTER FROM THE BOARD

RECOMMENDATIONS

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

Accordingly, the Directors (including the independent non-executive Directors, and excluding the First Subscriber and the Second Subscriber who have a material interest in the First Loan Capitalisation Agreement and the Second Loan Capitalisation Agreement and the transactions contemplated thereunder and had abstained from voting on the Board resolutions approving the same) consider that the Loan Capitalisation is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including the independent non-executive Directors, and excluding the First Subscriber and the Second Subscriber) recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

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

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



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)

23 September 2021

To the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

We refer to the circular of the Company dated 23 September 2021 to (the “**Circular**”), of which this letter forms part. Capitalized terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise you on whether the terms of the Loan Capitalisation Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholder are concerned.

Details of the advice of BaoQiao Partners, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 20 to 34 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 17 of the Circular and the additional information set out in the appendix of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms and conditions of the Loan Capitalisation Agreements, the principal factors and reasons considered by, and the advice of BaoQiao Partners, we are of the view that the Loan Capitalisation Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Loan Capitalisation Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. LAU Fai Lawrence

Dr. LIU Ta-pei

Mr. CHAU Wai Wah Fred

LETTER FROM BAOQIAO PARTNERS

The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



BAOQIAO PARTNERS CAPITAL LIMITED

Unit 2803–2805, 28/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

23 September 2021

*To the Independent Board Committee and the Independent Shareholders of
Sinopharm Tech Holdings Limited*

Dear Sir or Madam,

CONNECTED TRANSACTIONS: LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER GENERAL MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 23 September 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 8 June 2021 and 24 June 2021 (collectively known as the “**Announcements**”) in relation to, among others, the Loan Capitalisation.

On 8 June 2021 (after trading hours of the Stock Exchange), the Company and each of the three Subscribers entered into a loan capitalisation agreement (the three agreements are collectively referred to as the Loan Capitalisation Agreements and each a Loan Capitalisation Agreement) pursuant to which the three Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 133,705,046 Loan Capitalisation Shares, each at the LC Subscription Price of HK\$0.26 each. The subscription amount payable by the three Subscribers under the Loan Capitalisation Agreements shall be satisfied by capitalising the outstanding principal amount under the loans owing by the Company to the respective Subscribers.

LETTER FROM BAOQIAO PARTNERS

As the First Subscriber is an executive Director, the chief executive officer of the Company and a director of Best Frontier Investments Limited (a substantial Shareholder); the Second Subscriber is a non-executive Director of the Company and a director and shareholder of Best Frontier Investments Limited; and the Third Subscriber is an associate of a director of the Company's subsidiary, the First Subscriber, the Second Subscriber and the Third Subscriber are connected persons of the Company under the GEM Listing Rules. Therefore, the entering into of each the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement and the transactions contemplated respectively thereunder constituted a connected transaction for the Company and is subject to the reporting, announcement, independent financial advice and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The three Loan Capitalisation Agreements are not inter-conditional with each other.

As disclosed in the Letter from the Board, the First Subscriber, the Second Subscriber and Mr. Chan Tung Mei (a non-executive Director as at the date of the Loan Capitalisation Agreements) (the latter two being substantial Shareholders, the parents of the First Subscriber and are spouses to each other) have abstained from voting on the board resolutions regarding the First Loan Capitalisation Agreement and the Second Loan Capitalisation Agreement the transactions contemplated thereunder.

As required under the GEM Listing Rules, any Shareholder with a material interest in a proposed transaction and such Shareholder's associates shall abstain from voting on resolution(s) approving the same. As disclosed in the Letter from the Board, each of the First Subscriber, the Second Subscriber and the Third Subscriber and their respective associates are required to abstain from voting on the resolution(s) at the EGM respectively regarding the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement and the transactions contemplated thereunder. The identities of parties who shall be required to abstain from voting on the respective resolution(s) at the EGM have been disclosed under section headed "Implication under the GEM Listing Rules" in the Letter from the Board in this circular.

The Independent Board Committee comprising all independent non-executive Directors including Mr. Lau Fai Lawrence, Dr. Liu Ta-pei and Mr. Chau Wai Wah Fred, has been formed to advise the Independent Shareholders in respect of the Loan Capitalisation. We, BaoQiao Partners Capital Limited, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Group, the Subscribers and their respective associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists

LETTER FROM BAOQIAO PARTNERS

whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Announcements, the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have reviewed, among others, the Loan Capitalisation Agreements, the annual report of the Company for the year ended 30 June 2020 (the “**2020 Annual Report**”) and the interim report of the Company for the 6 months ended 31 December 2020 (the “**2020/2021 Interim Report**”), certain corporate and financial information of the Group, and the information set out in the Announcements and the Circular. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and representations made by the Management in the Circular and/or discussed with/provided to us were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Management, which have been provided to us.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group, the Subscribers and their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Loan Capitalisation. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Loan Capitalisation, and this letter, except for its inclusion in the Circular and for

LETTER FROM BAOQIAO PARTNERS

inspection as required under the GEM Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation, we have taken into consideration the following factors and reasons:

1. Background Information of the Group

The Company is incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM of the Stock Exchange. The principal activities of the Group are provision of (i) lottery-related services, (ii) internet plus services (solution and supply chain), (iii) manufacturing and distribution of personal protective equipment and (iv) other services.

The Group has been involved in the lottery business in mainland China for more than a decade. In the recent years, the Group continues to proactively identify new investment opportunities and expand into different business scopes to diversify its source of income.

In 2017, the Group launched its internet plus business segment which introduce interactive marketing solutions to interact with lottery consumers and achieve product promotion. On 6 May 2019, the Group completed the acquisition of Hero Global Holdings Limited (“**Hero Global**”). Hero Global and its subsidiaries are principally engaged in the provision of internet plus solution and supply chain services and trading of goods through internet platform. Based on our discussion with the Management, the acquisition of Hero Global enabled the Group to further expand its business portfolio in its internet plus services segment.

In view of the high demand in the face mask market since the beginning of 2020 due to the outbreak of COVID-19 pandemic, the Group developed a new business segment on the manufacturing and distribution of personal protective equipment. As advised by the Management and disclosed in the 2020 Annual Report, it is expected that the revenue generated from personal protective equipment would be one of the engines for business growth of the Group in the forthcoming years.

LETTER FROM BAOQIAO PARTNERS

2. Financial Information of the Group

Set out below is a summary of the financial information of the Group for the year ended 30 June 2019 (“**FY2019**”) and the year ended 30 June 2020 (“**FY2020**”) as extracted from the 2020 Annual Report, and for the six months ended 31 December 2020 (“**HY2020/2021**”) and 31 December 2019 (“**HY2019/2020**”) as extracted from the 2020/2021 Interim Report:

	FY2020	FY2019	HY2020/ 2021	HY2019/ 2020
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	165,934	43,503	55,200	87,380
— Lottery-related services	5,027	20,723	2,476	1,201
— Internet plus services	128,780	22,419	22,768	86,179
— Manufacturing and distribution of personal protective equipment	32,127	—	29,956	—
— Others	—	361	—	—
Loss for the year/period	(163,990)	(45,626)	(14,627)	(18,270)
	As at		As at	
	31 December		30 June	
	2020		2020	As at
	<i>(unaudited)</i>		<i>(audited)</i>	30 June
	<i>HK\$'000</i>		<i>HK\$'000</i>	2019
				<i>(audited)</i>
				<i>HK\$'000</i>
Total assets	205,953		188,173	228,668
Total liabilities	289,575		261,558	191,429
Net assets/(liabilities)	(83,622)		(73,385)	37,239

LETTER FROM BAOQIAO PARTNERS

FY2020 vs FY2019

As discussed in the paragraph headed “1. Background Information of the Group” in this letter, the Group completed the acquisition of Hero Global on 6 May 2019, which enabled the Group to expand its business portfolio in its Internet Plus segment. The Group also developed the new business segment on the manufacturing and distribution of personal protective equipment in early 2020 to capture the demand in the face mask market.

The Group’s revenue increased by approximately 281.4% from approximately HK\$43.5 million for FY2019 to HK\$165.9 million for FY2020, in which the increase in revenue of approximately HK\$122.4 million was mainly contributed by (i) the increase in revenue from internet plus services from approximately HK\$22.4 million in FY2019 to approximately HK\$128.8 million in FY2020, and (ii) revenue of approximately HK\$32.1 million from the new business segment of manufacturing and distribution of personal protective equipment.

While the Group recorded an increase in revenue of approximately HK\$122.4 million in FY2020, the Group recorded loss for the year of approximately HK\$164.0 million in FY2020, representing an increase of approximately 259.0% from the loss for the year of approximately HK\$45.6 million in FY2019. With reference to the 2020 Annual Report and as advised by the Directors, the main reasons for the increase of the loss are mainly due to (i) the effects of additional operating costs and expenses incurred to strengthen the Group’s operation for new business needs, and (ii) the impairment losses on goodwill of approximately HK\$131.4 million (in which approximately HK\$126.9 million was recognised by the internet plus business segment due to the termination of co-operation contract with a major partner) made for FY2020 as compared with approximately HK\$65.1 million of that of FY2019.

The Group’s financial position deteriorated significantly with net liabilities amounted to approximately HK\$73.4 million at 30 June 2020, as compared to the Group’s net asset of approximately HK\$37.2 million as at 30 June 2019. The Group’s deterioration in financial position was mainly due to its loss for the year of approximately HK\$164.0 million during FY2020. As at 30 June 2020, the Group’s financial resources remained tight with cash and bank balances of approximately HK\$6.7 million, while having amount due to directors (including loans provided by the First Subscriber and Second Subscriber) of approximately HK\$33.3 million, convertible bonds of approximately HK\$89.2 million and other borrowings of approximately HK\$15.6 million.

LETTER FROM BAOQIAO PARTNERS

HY2020/2021 vs HY2019/2020

The Group's revenue decreased by approximately 36.8% from approximately HK\$87.4 million for HY2019/2020 to HK\$55.2 million for HY2020/2021. The decrease in revenue of approximately HK\$32.2 million was mainly the result of the drop in revenue of the internet plus services business from approximately HK\$86.2 million to approximately HK\$22.8 million, representing a decrease of approximately 73.6%. As advised by the Directors, the performance of the internet plus segment has been inevitably affected during HY2020/2021 as the Company was in the process of restructuring its logistic network to improve profitability and services.

Despite the decrease in revenue for HY2020/2021, the Group recorded a decrease in net loss from approximately HK\$18.3 million for HY2019/2020 to approximately HK\$14.6 million for HY2020/2021, mainly due to (i) the improvement in overall gross profit margin from approximately 26.0% in HY2019/2020 to approximately 35.4% in HY2020/2021 contributed by the new manufacturing and distribution of personal protective equipment; (ii) the increase in other income from the government's employment support scheme on wage subsidies for COVID-19 for HY2020/21 and the share of profits of associates arising from the acquisition of 40% equity interest in Ever Development Holdings Limited completed on 3 June 2020 of approximately HK\$3.9 million recorded in HY2020/21; (iii) the decrease in administrative and operating expenses of approximately HK\$3.2 million for HY2020/2021, which was in line with the decrease in revenue; and (iv) offset by the increase in finance costs of approximately HK\$2.8 million during HY2020/2021.

The Group's financial position remains tight with net liabilities amounted to approximately HK\$83.6 million at 31 December 2020, which increased by approximately 13.9% as compared to that of approximately HK\$73.4 million as at 30 June 2020. The Group's deterioration in financial position was mainly due to its loss of approximately HK\$14.6 million during HY2020/2021.

As at 31 December 2020, the Group's financial resources continues to be strained with cash and bank balances of only approximately HK\$2.7 million, in contrast to the outstanding debt owed by the Company including amount due to directors of approximately HK\$32.5 million, convertible bonds of approximately HK\$93.9 million and other borrowings of approximately HK\$23.3 million.

3. Information of the Subscribers and the Outstanding Loans

The First Subscriber

Mr. CHAN Ting (“**Mr. CHAN**”) is the Chairperson, an executive Director, the chief executive officer of the Company and a director of Best Frontier Investments Limited (a substantial shareholder).

On 11 February 2021, Mr. CHAN provided the Company with a loan in the principal amount of HK\$6,000,000 as a support to the Company’s business and daily operation. Under the written terms of the loan letter dated of the First Loan Capitalisation Agreement, the loan is interest free and will be due for repayment on demand. As at the date of the First Loan Capitalisation Agreement, Mr. CHAN has not requested repayment for any portion of the loan and the outstanding principal amount of the loan amounted to HKD6,000,000.

The Second Subscriber

Madam CHEUNG Kwai Lan (“**Madam CHEUNG**”) is a non-executive Director of the Company and a director and shareholder of Best Frontier Investments Limited (a substantial shareholder).

From the period from 28 December 2018 to 8 June 2021, Madam CHEUNG provided the Company with a loan in the principal amount of HK\$23,183,312 as a support to the Company’s business and daily operation. Under the written terms of the loan letter dated of the Second Loan Capitalisation Agreement, the loan is interest free and will be due for repayment on demand. As at the date of the Second Loan Capitalisation Agreement, Madam CHEUNG has not requested repayment for any portion of the loan and the outstanding principal amount of the loan amounted to HKD23,183,312.

The Third Subscriber

Ms. NG Pik Yin (“**Ms. NG**”) is the spouse of Mr. FUNG King Him Daniel who is the Director of Group Corporate Strategy and the director of various subsidiaries of the Company and is an associate of the said director.

On 25 May 2021, Ms. NG provided the Company with a loan in the principal amount of HK\$5,580,000 as a support to the Company’s business and daily operation. Under the written terms of the loan letter dated the date of the Third Loan Capitalisation Agreement, the loan is interest free and will be due for repayment on demand. As at the date of the Third Loan Capitalisation Agreement, Ms. NG has not requested repayment for any portion of the loan and the outstanding principal amount of the loan amounted to HKD5,580,000.

4. Reasons for and benefits of the Loan Capitalisation

As shown in the paragraph headed “2. Financial information of the Group” above in this letter, the 2020 Annual Report and the 2020/2021 Interim Report, the Group has been suffering from (i) continuing losses for the past five financial years ended 30 June 2020; (ii) recorded net current liabilities as at 30 June 2019, 30 June 2020 and 31 December 2020 as well as net liabilities as at 30 June 2020 and 31 December 2020; and (iii) relatively low cash and bank balances over the years with approximately HK\$6.7 million and HK\$2.7 million as at 30 June 2020 and 31 December 2020 respectively.

Taking into account the existing financial performance and position of the Group, we concur with the Directors’ view that the Loan Capitalisation under the Loan Capitalisation Agreements will allow the Company to settle the aggregate outstanding sums of HK\$34,763,312 owing by the Company to the Subscribers (the “**Outstanding Loans**”) without utilising existing financial resources of the Group while reducing the gearing level and hence strengthening the financial position of the Group.

In addition, as disclosed in the Letter from the Board, save for the two convertible bonds in aggregate amount of HK\$89.625 million and HK\$50 million (the “**Convertible Bonds**”) and the outstanding loans and other borrowings of HK\$10.01 million as at the Latest Practicable Date, the Company does not have any other outstanding loans which are not subject to the Loan Capitalisation. The Company has no intention or plan to capitalise the above mentioned loans and other borrowings. The Company will seek for any possibilities of fund raising activities continuously for the repayment of the Convertible Bonds, the outstanding loans and other borrowings. Furthermore, the Company will discuss with the bondholder of the Convertible Bonds to consider any possibilities to convert all or part of the Convertible Bonds.

According to the Management, they had explored and evaluated other settlement methods as alternative means of settling the Outstanding Loans, such as by way of bank borrowings and other equity financing other than Loan Capitalisation. Given the current financial performance and position of the Group as stated under the paragraph headed “2. Financial information of the Group” above in this letter, the Directors expect that they would have difficulties to obtain bank borrowings with favourable terms. Furthermore, even if the Group could obtain bank borrowings, such bank borrowings will inevitably increase interest burden and further deteriorate the gearing level of the Group. Based on the above and the Company’s goal to lower the gearing level according to the Management, we are of the view and concur with the Directors’ view that bearing additional liabilities to settle the Outstanding Loans is not in the interests of the Company and the Shareholders as a whole.

In respect of other equity financing methods for settling the Outstanding Loans, such as placing of Shares, open offer and rights issue, the Management considered that (i) it would be difficult for the Group to secure placing agent or underwriter for placing of Shares, open offer or rights issue without offering deep discount to the issue price to attract subscription in light of low trading liquidity of the Shares and the Group’s current financial performance and position; (ii) the success of other forms of equity

financing is also highly dependent on the then market condition and sentiment; and (iii) such placing/underwriting commission would likely exceed the cost under the Loan Capitalisation without taking into account of further necessary professional fees cost, we are of the view and concur with the Directors' view that the Loan Capitalisation is comparatively a more appropriate and viable means of settling the Outstanding Loans.

Having considered (i) the negative financial position of the Group as mentioned above; (ii) the Management expects that the Group would not be able to obtain favourable terms for debt financing which would also increase finance costs of the Group; (iii) other equity financings may require attractive discount to the current market price of the Shares and are relatively less cost effective as compared to the Loan Capitalisation; and (iv) the Loan Capitalisation will settle part of the Group's existing liabilities and reduce the Group's gearing level without depleting its existing financial resources, we are of the view and concur with the Directors' view that the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Loan Capitalisation Agreements

First Loan Capitalisation Agreement

On 8 June 2021, the Company, as issuer, and Mr. CHAN, as subscriber entered into the First Loan Capitalisation Agreement, pursuant to which the Company conditionally agreed to allot and issue, and Mr. CHAN conditionally agreed to subscribe for 23,076,923 Loan Capitalisation Shares at the LC Subscription Price. Upon completion of the First Loan Capitalisation Agreement, the said outstanding sum shall be deemed to have been fully repaid and the Company shall be released from its obligations under the loan in the principal amount of HK\$6,000,000 provided by Mr. CHAN on 11 February 2021.

Second Loan Capitalisation Agreement

On the same day, the Company, as issuer, and Madam CHEUNG, as subscriber entered into the Second Loan Capitalisation Agreement, pursuant to which the Company conditionally agreed to allot and issue, and Madam CHEUNG conditionally agreed to subscribe for 89,166,585 Loan Capitalisation Shares at the LC Subscription Price. Upon completion of the Second Loan Capitalisation Agreement, the said outstanding sum shall be deemed to have been fully repaid and the Company shall be released from its obligations under the loan in the principal amount of HK\$23,183,312 provided by Madam CHEUNG on 25 May 2021.

Third Loan Capitalisation Agreement

On the same day, the Company, as issuer, and Ms. Ng, as subscriber entered into the Third Loan Capitalisation Agreement, pursuant to which the Company conditionally agreed to allot and issue, and Ms. NG conditionally agreed to subscribe for 21,461,538 Loan Capitalisation Shares at the LC Subscription Price. Upon completion of the Third Loan Capitalisation Agreement, the said

LETTER FROM BAOQIAO PARTNERS

outstanding sum shall be deemed to have been fully repaid and the Company shall be released from its obligations under the loan in the principal amount of HK\$5,580,000 provided by Ms. Ng from the period from 28 December 2018 to 8 June 2021.

The principal terms of the First Loan Capitalisation Agreement, Second Loan Capitalisation Agreement and Third Loan Capitalisation Agreement are the same, save and except for the following respects:

1. the identity of the subscribers;
2. the underlying loans and the number of Loan Capitalisation Shares;

Please refer to the “Letter from the Board” set out in the Circular for further details of the Loan Capitalisation Agreements and the full list condition precedents to the Loan Capitalisation Agreements.

A summary of the terms of the Loan Capitalisation Agreements is as follows:

Loan Capitalisation Agreements	Subscribers	Loan amounts to be set-off	LC Subscription Price (HK\$)	Number of Loan Capitalisation Shares
First Loan Capitalisation Agreement	Mr. CHAN Ting	HK\$6,000,000	0.26	23,076,923
Second Loan Capitalisation Agreement	Madam CHEUNG Kwai Lan	HK\$23,183,312	0.26	89,166,585
Third Loan Capitalisation Agreement	Ms. NG Pik Yin	HK\$5,580,000	0.26	21,461,538

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

For avoidance of doubt, completion of each Loan Capitalisation Agreement are not inter-conditional.

The Loan Capitalisation Shares and LC Subscription Price

Loan Capitalisation Shares

The aggregate of 133,705,046 Loan Capitalisation Shares which may be allotted and issued under the three Loan Capitalisation Agreements represent (i) approximately 3.04% of the existing number of issued Shares as at the Latest Practicable Date; and (ii) approximately 2.95% of the number of issued Shares as enlarged by the allotment and issue of all the Loan Capitalisation Shares.

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LC Subscription Price

The LC Subscription Price of HK\$0.26 per Loan Capitalisation Share represents:

- (i) a premium of approximately 37.57% over the closing price per Share of HK\$0.189 as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) represents the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iii) represents a premium of approximately 0.39% over the average of the closing price of HK\$0.259 per Share quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

The net liability attributable to each Share was HKD0.0195 as at 31 December 2020, being the date to which the latest published unaudited financial statements of the Group were made up.

As stated in the Letter from the Board, the LC Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market prices of the Shares, the Group's historical performances and present financial position as well as current market condition.

In order to assess the fairness and reasonableness of the LC Subscription Price, we compared with reference to the recent price performance and trading liquidity of the Shares as follows:

Recent price performance and trading liquidity of the Shares

We have reviewed the closing prices and the trading liquidity of the Shares during the twelve-month period from 9 June 2020, up to and including 8 June 2021, being the Last Trading Day (the "**Review Period**"). We consider that an approximate period of twelve months is adequate to illustrate the recent price movements and liquidity of the Shares for conducting a reasonable comparison between the closing price of the Shares and the LC Subscription Price.

LETTER FROM BAOQIAO PARTNERS

Daily closing price of the Shares during the Review Period



Source: The Stock Exchange

Monthly trading volume of Shares during the Review Period

	Total volume of the Shares traded	Number of trading days	Average Daily Volume	Number of issued Shares as at end of the period/month <i>(Note 2)</i>	Approximate % of average daily trading volume to the then total number of issued Shares as at end of the period/month
2020					
June <i>(Note 1)</i>	56,855,600	15	3,790,373	4,289,724,633	0.0884%
July	87,646,010	22	3,983,910	4,289,724,633	0.0929%
August	137,117,000	21	6,259,381	4,289,724,633	0.1522%
September	40,392,000	22	1,836,000	4,289,724,633	0.0428%
October	47,350,000	18	2,630,556	4,289,724,633	0.0613%
November	68,709,000	21	3,271,857	4,289,724,633	0.0763%
December	176,600,000	22	8,027,273	4,289,724,633	0.1871%
2021					
January	177,490,000	20	8,874,500	4,289,724,633	0.2069%
February	276,681,854	18	15,371,214	4,289,724,633	0.3583%
March	89,851,478	23	3,906,586	4,289,724,633	0.0911%
April	205,748,300	19	10,828,858	4,345,376,807	0.2492%
May	150,995,000	20	7,549,750	4,345,376,807	0.1737%
June <i>(Note 1)</i>	39,095,000	6	6,515,833	4,345,376,807	0.1499%

Source: The Stock Exchange

Notes:

- The Review Period commenced on 9 June 2020 and ended on 8 June 2021.
- Based on the total number of issued Shares as at end of the period/month.

LETTER FROM BAOQIAO PARTNERS

As shown in the chart of daily closing price of the Shares above, the daily closing price of the Shares during the Review Period ranged from the lowest of HK\$0.115 per Share on 3 December 2020 to the highest of HK\$0.33 per Share on 18 February 2021 and 8 April 2021. The average closing price of Shares within the Review Period was approximately HK\$0.215 per Share. We noted that the LC Subscription Price equals to the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on the Last Trading Day and represents a premium of approximately 20.9% to the average closing price of Shares within the Review Period and a premium of 0.4% to the average closing price of approximately HK\$0.259 per Share for the last five consecutive trading days immediately prior to the Last Trading Day.

Regarding the liquidity of the Shares, as shown in the table above, the highest average daily volume was approximately 15,371,214 Shares in February 2021, representing approximately 0.3583% of the total number of Shares at the end of February 2021. We also notice that the average daily trading liquidity of the Shares were very thin during the Review Period, with all months less than 1% to the then total number of issued Shares as at the end of their respective period/month. As such, the relatively low trading volume suggests that it would be difficult for the Company to pursue sizeable equity financing alternatives in the stock market without providing considerable discount and/or underwriting fees as an incentive.

Having considered that (i) the LC Subscription Price represents a premium of approximately 20.9% to the average closing price of Shares within the Review Period and 0.4% to the average closing price of approximately HK\$0.259 per Share for the last five consecutive trading days immediately prior to the Last Trading Day; and (ii) the reasons for and benefits of the Loan Capitalisation as set out in the paragraph headed “Reasons for and benefits of the Loan Capitalisation” in this letter, we consider the LC Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interest of the Company.

6. Potential dilution effects of the Loan Capitalisation

With reference to the section headed “Effect on Shareholding Structure of the Company” in the Letter from the Board, the Loan Capitalisation will incur a dilution effect on the shareholding of the existing Public Shareholders (i.e. from approximately 58.63% to approximately 56.90% immediately after the Loan Capitalisation (CP) Completion), having taken into account the reasons for and benefits of the Loan Capitalisation, in particular the current financial position of the Group and the lack of alternative means of financings, as stated above, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

LETTER FROM BAOQIAO PARTNERS

7. Possible financial effects of the Subscription

Upon Loan Capitalisation (CP) Completion, assuming other factors remain constant, the Outstanding Loans are expected to be set off against the Loan Capitalisation Shares and the Loan Capitalisation Shares will be recognised entirely as equity of the Company which in turn will enlarge the capital base and the gearing level and net liabilities position of the Group is expected to improve.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Notwithstanding the entering into the Loan Capitalisation Agreements are not in the ordinary and usual course of business of the Company, having considered the aforementioned principal factors and reasons, we are of the view that (i) the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Loan Capitalisation Agreements and the transactions contemplated thereunder (including the allotment and issue of the Loan Capitalisation Shares under the General Mandate) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the EGM to approve the Loan Capitalisation Agreements and the transactions contemplated thereunder (including the allotment and issue of the Loan Capitalisation Shares under the General Mandate).

Yours faithfully,
For and on behalf of

BaoQiao Partners Capital Limited

Monica Lin
Managing Director

Irene Poon
Executive Director

Ms. Monica Lin is a responsible person registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for BaoQiao Partners Capital Limited and has over 20 years of experience in corporate finance industry.

Ms. Irene Poon is a responsible person registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for BaoQiao Partners Capital Limited and has over 20 years of experience in the accounting and corporate financial services industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying Shares of the Company or any of its associates corporation

Name of Directors	The Company/Name of Associated Corporation	Interest in Controlled Corporation	Number of Shares Held		Interest of Spouse	Total Interest	Approximate Percentage of Shareholding
			Personal Interest (ordinary shares)	Personal Interest (underlying shares) (Note 2)			
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note 1)	The Company	632,920,856	4,656,000	4,000,000	3,020,000	644,596,856	14.64%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note 1)	—	909	—	1	910	—
Mr. CHAN Ting	The Company	—	—	4,000,000	—	4,000,000	0.09%
Mr. LIAO Zhe	The Company	—	—	2,300,000	—	2,300,000	0.05%
Mr. CHEUK Ka Chun Kevin	The Company	—	178,000	20,555,000	—	20,733,000	0.47%
Dr. CHENG Yanji	The Company	—	1,965,000	3,600,000	—	5,565,000	0.13%
Dr. LIU Ta-pei	The Company	—	—	3,600,000	—	3,600,000	0.08%
Mr. CHAU Wai Wah Fred	The Company	—	3,800,000	3,600,000	—	7,400,000	0.17%

Notes:

1. The 632,920,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN Tung Mei (“Mr. CHAN”) respectively. In addition, Madam CHEUNG and Mr. CHAN directly held 4,656,000 Shares and 3,020,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN so both of them were deemed to be interested in the Shares. An interest in 210,000,000 Shares as security was provided by Best Frontier to a person other than a qualified lender on 4 December 2020 and the security was released on 15 September 2021.
2. These share options were granted by the Company on 7 January 2020 under the share option scheme adopted by the Company on 31 January 2013.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as follows:

Long Positions in the Shares

Name of Shareholders	Capacity	Number of issued Shares Held	Approximate Percentage of the Shareholding
Sinopharm Traditional Chinese Medicine Overseas Holdings Limited	Beneficial Owner	650,000,000	14.76%
Best Frontier & its concert parties (<i>Note 1</i>)	Beneficial Owner	640,596,856	14.55%

Name of Shareholders	Capacity	Number of issued Shares Held	Approximate Percentage of the Shareholding
Integrated Asset Management & its concert parties (<i>Note 2</i>)	Beneficial Owner	526,283,000	11.95%
Mr. TSE Siu Hoi	Beneficial Owner	310,650,000	7.05%

Notes:

1. Same as Note 1 on page 11 in this circular.
2. Same as Note 2 on page 12 in this circular.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under section 336 of the SFO.

3. COMPETING INTERESTS

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

4. DIRECTORS' SERVICE CONTRACTS

One executive Director has entered into a renewable service agreement for a term of three years with the Company, unless terminated by not less than six months' notice in writing served by either party on the other, and is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company. Two executive Directors, all the INEDs and non-executive Directors have not entered into any service contracts with the Company but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

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

5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2020, being the date to which the latest published audited financial statements of the Group were made up.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospects of the Group since 30 June 2020, being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

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

8. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualifications
BaoQiao Partners Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, BaoQiao Partners was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, directly or indirectly, in any asset which had been, since 30 June 2020, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (i) The registered office of the Company is situated at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-11003, the Cayman Islands.
- (ii) The principal place of business of the Company in Hong Kong is at Units 01–03, 25/F., Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong.
- (iii) The company secretary of the Company is Mr. Ho Kam Kin, who was appointed on 1 September 2016.
- (iv) The Company's branch share registrar and transfer office in Hong Kong is Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the office of the Company at Units 01–03, 25/F, Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong, during 10:00 a.m. to 4:00 p.m. on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the First Loan Capitalisation Agreement;
- (b) the Second Loan Capitalisation Agreement;
- (c) the Third Loan Capitalisation Agreement;
- (d) the director's service contract referred to in the paragraph headed "Directors' Service Contracts" in this Appendix;
- (e) the written consent of the expert referred to in the paragraph headed "Qualification and Consent of Expert" in this Appendix;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 in this circular;
- (g) the letter of advice from BaoQiao Partners to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 34 in this circular; and
- (h) this circular.



Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the Sinopharm Tech Holdings Limited (the “**Company**”) will be held at Units 01–03, 25/F, Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong on Monday, 11 October 2021 at 11:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the loan capitalisation agreement dated 8 June 2021 entered into between the Company (as issuer) and Mr. CHAN Ting (as subscriber) (the “**First Loan Capitalisation Agreement**”) in relation to the allotment and issue of 23,076,923 new ordinary shares (“**Mr. CHAN Subscription Shares**”) in the share capital of the Company at a subscription price of HKD0.26 per share, credited as fully paid and which shall rank *pari passu* in all respects with the ordinary shares then in issue, by the Company to Mr. CHAN Ting and the transactions contemplated thereunder (including the allotment and issue of Mr. CHAN Subscription Shares), be and are hereby approved, confirmed and ratified; and
- (b) any one or more directors of the Company (the “**Directors**”) be and is/are hereby authorised generally to take all necessary steps and do all such acts and things and to sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which he/she/they may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to the First Loan Capitalisation Agreement and the allotment and issue of Mr. CHAN Subscription Shares and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

NOTICE OF EGM

2. “THAT

- (a) the loan capitalisation agreement dated 8 June 2021 entered into between the Company (as issuer) and Madam CHEUNG Kwai Lan (“**Madam CHEUNG**”) (as subscriber) (the “**Second Loan Capitalisation Agreement**”) in relation to the allotment and issue of 89,166,585 new ordinary shares (“**Madam CHEUNG Subscription Shares**”) in the share capital of the Company at a subscription price of HKD0.26 per share, credited as fully paid and which shall rank *pari passu* in all respects with the ordinary shares then in issue, by the Company to Madam CHEUNG and the transactions contemplated thereunder (including the allotment and issue of Madam CHEUNG Subscription Shares), be and are hereby approved, confirmed and ratified; and
- (b) any one or more Directors be and is/are hereby authorised generally to take all necessary steps and do all such acts and things and to sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which he/she/they may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to the Second Loan Capitalisation Agreement and the allotment and issue of Madam CHEUNG Subscription Shares and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

3. “THAT

- (a) the loan capitalisation agreement dated 8 June 2021 entered into between the Company (as issuer) and Ms. NG Pik Yin (“**Ms. NG**”) (as subscriber) (the “**Third Loan Capitalisation Agreement**”) in relation to the allotment and issue of 21,461,538 new ordinary shares (“**Ms. NG Subscription Shares**”) in the share capital of the Company at a subscription price of HKD0.26 per share, credited as fully paid and which shall rank *pari passu* in all respects with the ordinary shares then in issue, by the Company to Ms. NG and the transactions contemplated thereunder (including the allotment and issue of Ms. NG Subscription Shares), be and are hereby approved, confirmed and ratified; and
- (b) any one or more Directors be and is/are hereby authorised generally to take all necessary steps and do all such acts and things and to sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which he/she/they may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to the Third Loan Capitalisation Agreement and the allotment and issue of Ms. NG Subscription Shares and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

NOTICE OF EGM

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

Hong Kong, 23 September 2021

Registered Office:

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

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

Units 01–03, 25/F.
Corporation Park
11 On Lai Street, Shatin
New Territories, Hong Kong

Notes:

1. A shareholder of the Company entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint another person as his/her/its proxy to attend and vote in his/her/its stead in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company. A form of proxy for use at the EGM is enclosed.
2. In order to be valid, this form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish and in such event, the proxy shall be deemed to be revoked.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of other joint holder(s), and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of such shares.