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Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

LOAN CAPITALISATION

On 27 July 2022 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into a Loan Capitalisation Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 54,637,617 Loan Capitalisation Shares at the LC Subscription Price, the same of which shall be satisfied by setting off the full amount of the Loan. Upon completion, the Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Loan.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and the completion of the Loan Capitalisation, the aggregate of 54,637,617 Loan Capitalisation Shares which may be allotted and issued represent (i) approximately 1.20% of the existing number of issued Shares as at the date of this announcement; and (ii) approximately 1.19% of the number of issued Shares as enlarged by the Loan Capitalisation Shares.

GEM LISTING RULES IMPLICATIONS

As the Subscriber is the chairperson, an executive Director, the chief executive officer of the Company and a director of Best Frontier, the Subscriber is a connected person of the Company under the GEM Listing Rules. Therefore, the entering into of the Loan Capitalisation Agreement and the transactions contemplated thereunder constituted a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Loan Capitalisation Shares will be allotted and issued under the specific mandate proposed to be sought from the Independent Shareholders at the EGM.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Loan Capitalisation Shares.

A circular containing, amongst other information, (i) further information on the Loan Capitalisation; (ii) the respective advice from the Independent Board Committee and the independent financial adviser on the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder; and (iii) a notice of EGM and a form of proxy, will be despatched to the Shareholders. As additional time is required to prepare the aforesaid information, the circular is expected to be dispatched to the Shareholders on or before 31 August 2022.

Since completion of the Loan Capitalisation Agreement is subject to the fulfilment of the conditions precedent thereunder, the Loan Capitalisation may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

LOAN CAPITALISATION

As at the date of this announcement, the Company owed the Subscriber an aggregate amount of loan in the principal amount of HK\$15,298,533, i.e. the Loan. The Loan is interest free and repayable on demand. As at the date of this announcement, the Subscriber has not requested repayment of the Loan or any part thereof.

On 27 July 2022 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into a Loan Capitalisation Agreement.

LOAN CAPITALISATION AGREEMENT

Date: 27 July 2022 (after trading hours)

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

As at the date of this announcement, the Subscriber is the chairperson, an executive Director, the chief executive officer of the Company and a director of Best Frontier. Accordingly, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to the Loan Capitalisation Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 54,637,617 Loan Capitalisation Shares at the LC Subscription Price, the same of which shall be satisfied by setting off the full amount of the Loan. Upon completion, the Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Loan.

Conditions precedent

The completion of Loan Capitalisation is conditional upon fulfillment of the following conditions:

- (i) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Loan Capitalisation Shares to the 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 Subscriber;
- (iii) all necessary corporate approvals and consents and third party consents to the issue of the Loan Capitalisation Shares (if necessary) having been obtained;
- (iv) the 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
- (vi) there is no indication from the Stock Exchange that the listing status of the securities of the Company will be revoked by the Stock Exchange as a result of the implementation of the transactions contemplated under the Loan Capitalisation Agreement.

None of the above conditions can be waived. If any of the above conditions are not fulfilled on or before 30 November 2022 (or such later date as the parties shall agree in writing), the 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.

Completion under the Loan Capitalisation Agreement

Completion of the Loan Capitalisation Agreement shall take place within ten Business Days after the fulfillment of all the conditions precedent (or such other date to be agreed by the parties).

Upon completion, the Company shall be released from its obligations and liabilities under the Loan.

LOAN CAPITALISATION SHARES AND LC SUBSCRIPTION PRICE

The Loan Capitalisation Shares

Assuming that there will be no change in the number of issued Shares between the date of this announcement and the completion of the Loan Capitalisation Agreement, the aggregate of 54,637,617 Loan Capitalisation Shares represent (i) approximately 1.20% of the existing number of issued Shares as at the date of this announcement; and (ii) approximately 1.19% of the number of issued Shares as enlarged by the Loan Capitalisation Shares.

The aggregate nominal value of the Loan Capitalisation Shares is HK\$682,970.21.

The LC Subscription Price

The LC Subscription Price of HK\$0.28 per Loan Capitalisation Share:

- (i) represents a premium of approximately 338% over the closing price of HK\$0.064 per Share as quoted on the Stock Exchange on the date of this announcement; and

- (ii) represents a premium of approximately 283% over the average of the closing price of HK\$0.0732 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of this announcement.

The LC Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber 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 net issue price, after deduction of relevant expenses, is estimated to be approximately HK\$0.28 per Loan Capitalisation Share.

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.

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.

The Directors consider that the Loan Capitalisation Agreement will allow the Company to settle the outstanding sums owed by the Company to the Subscriber without utilising existing financial resources of the Group while reducing the gearing level and hence strengthening the financial position of the Group.

The Loan was the aggregate of certain loans which were originally advanced by (i) Ms. WOO Theresa (the spouse of the Subscriber) in the principal sum of HK\$3,493,500, (ii) Ms. CHAN Siu Sarah (the sister of the Subscriber) in the principal sum of HK\$1,196,000, (iii) Mr. FUNG King Him Daniel (a director of various subsidiaries of the Company) in the principal sum of HK\$2,961,948, (iv) Mr. CHEUK Ka Chun Kevin (an executive Director) in the principal sum of HK\$2,151,394 and (v) Mr. LIAO Zhe (an executive Director) in the principal sum of HK\$5,495,691 (collectively, the "Assignors") to the Company as its working capital. Each of the Assignors has executed an assignment of loans in favour of the Subscriber on 26 July 2022, pursuant to which each of the Assignors assigned to the Subscriber the said loans to the Subscriber on dollar-to-dollar basis. The assignment of loans and the Loan Capitalisation Agreement are not inter-conditional with each other.

The Directors (excluding the Subscriber, Mr. CHEUK Ka Chun Kevin, Mr. LIAO Zhe and Madam CHEUNG Kwai Lan who have abstained from voting at all the Board resolutions approving the Loan Capitalisation Agreement) consider that the terms of the Loan Capitalisation Agreement, including the LC Subscription Price, are on normal commercial terms or better, fair and reasonable and the entering into of the Loan Capitalisation Agreement is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fund raising activities mentioned below, the Board confirms that there has not been any fund raising exercise made by the Company in the twelve months immediately preceding the date of the Loan Capitalisation Agreement.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of the announcement
20/08/2021 30/08/2021 19/10/2021	Issue of convertible bonds under general mandate	HK\$50.0 million	HK\$17.5 million for development of anti-counterfeiting business; HK\$10.0 million for the repayment of debts and HK\$22.5 million for general working capital	HK\$6.4 million for development of anti-counterfeiting business; HK\$15.0 million for the repayment of debts and HK\$28.6 million for general working capital
08/06/2021 23/09/2021	Issue of loan capitalization shares under general mandate	Approximately HK\$50.0 million	Repayment of debts	Utilized as intended

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 4,537,688,780 Shares in issue. Assuming there will be no further changes in the issued share capital of the Company between the date of this announcement 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 this announcement; and (ii) immediately after the allotment and issue of the 54,637,617 Loan Capitalisation Shares in full, are set out as below for illustration purposes only:

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after the allotment and issue of the Loan Capitalisation Shares in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors				
Madam Cheung Kwai Lan	4,656,000	0.10	4,656,000	0.10
Mr. Cheuk Ka Chun Kevin	178,000	0.00	178,000	0.00
Dr. Cheng Yanjie	1,965,000	0.04	1,965,000	0.04
Mr. Chau Wai Wah Fred	3,800,000	0.08	3,800,000	0.08
Sub-total	10,599,000	0.22	10,599,000	0.22

Sinopharm Traditional Chinese Medicine Overseas Holdings Limited (<i>Note 1</i>)	650,000,000	14.32	650,000,000	14.15
Best Frontier (<i>Note 2</i>)	697,364,364	15.37	697,364,364	15.19
Integrated Asset Management (Asia) Limited (“ Integrated Asset ”) and its concert parties (<i>Note 3</i>)	542,363,000	11.95	542,363,000	11.81
Sub-total	1,889,727,364	41.64	1,889,727,364	41.15
The Subscriber (<i>Note 4</i>)	-	-	54,637,617	1.19
Public Shareholders	2,637,362,416	58.14	2,637,362,416	57.44
Total	4,537,688,780	100.00	4,592,326,397	100.00

Notes:

1. The 650,000,000 Shares were held by Main Key Investments Limited which was wholly-owned by Guo lei.
2. The 697,364,364 Shares were held by Best Frontier which was owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouses to each other and each a Director. An interest in 697,364,364 Shares as security was provided by Best Frontier to Integrated Asset.
3. The 542,363,000 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.

Pursuant to the fifth amendment agreement approved by the Shareholders at the extraordinary general meeting of the Company held on 22 March 2021, the Company amended 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.

As at the date of this announcement, the Company has not received any notice of event of default from the bondholder demanding immediate repayment nor notice of exercise of the CBs. The Company will negotiate with the bondholder for the renewal of or further extension on the CBs and disclose further developments on the above matters by way of further announcement(s) in a timely manner in accordance with regulatory requirements.

4. As at the date of this announcement, the Subscriber also holds 4,000,000 share options of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the Subscriber is the chairperson, an executive Director, the chief executive officer of the Company and a director of Best Frontier, the Subscriber is a connected person of the Company under the GEM Listing Rules. Therefore, the entering into of the Loan Capitalisation Agreement and the transactions contemplated thereunder constituted a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

The Loan Capitalisation Shares will be allotted and issued under the specific mandate proposed to be sought from the Independent Shareholders at the EGM.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Loan Capitalisation Shares.

Those Shareholders who have a material interest in the Loan Capitalisation, including but not limited to, the Subscriber, and their respective associates shall be required to abstain from voting in respect of the resolution(s) approving the Loan Capitalisation Agreement and the issue of the Loan Capitalisation Shares at the EGM. As at the date of this announcement, the following persons were directly holding the following number of Shares (excluding deemed interest under the SFO) (if any) and are required to abstain from voting at the EGM:

Name	Number of Shares directly held	Percentage of shareholding
Best Frontier	697,364,364	15.37%
The Subscriber	-	-
Madam CHEUNG Kwai Lan (a non-executive Director and the mother of the Subscriber)	4,656,000	0.10%
Mr. CHAN Tung Mei (the father of the Subscriber)	3,020,000	0.07%
Ms. WOO Theresa (the spouse of the Subscriber)	-	-
Ms. CHAN Siu Sarah (the sister of the Subscriber)	-	-

**As at the date of this announcement, the Subscriber, Madam CHEUNG Kwai Lan and Ms. CHAN Siu Sarah also holds 4,000,000, 4,000,000 and 3,600,000 share options of the Company respectively.*

Saved as disclosed above and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Loan Capitalisation Agreement and is required to abstain from voting on the resolution(s) of the Company in approving the same at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee and will appoint an independent financial adviser in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder.

CIRCULAR

A circular containing, amongst other information, (i) further information on the Loan Capitalisation; (ii) the respective advice from the Independent Board Committee and the independent financial adviser on the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder; and (iii) a notice of EGM and a form of proxy, will be despatched to the Shareholders. As additional time is required to prepare the aforesaid information, the circular is expected to be dispatched to the Shareholders on or before 31 August 2022.

Since completion of the Loan Capitalisation Agreement is subject to the fulfilment of the conditions precedent thereunder, the Loan Capitalisation may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Best Frontier”	Best Frontier Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and a substantial Shareholder, which is held as to 99.89% by Madam CHEUNG Kwai Lan (a non-executive Director)
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are open for business during their normal business hours
“Company”	Sinopharm Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8156)

“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“connected transaction”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Loan Capitalisation Shares
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which has been formed in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder
“independent financial adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation Agreement 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 Loan Capitalisation Agreement and the transactions contemplated thereunder
“LC Subscription Price”	the issue price of HK\$0.28 per Loan Capitalisation Share for the Loan Capitalisation
“Loan”	the loan in the aggregate amount of HK\$15,298,533 owed by the Company to the Subscriber as at the date of this announcement

“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 Agreement
“Loan Capitalisation Agreement”	the loan capitalisation agreement dated 27 July 2022 entered into between the Company and the Subscriber in respect of the Loan Capitalisation
“Loan Capitalisation Share(s)”	54,637,617 new Shares to be allotted and issued under the Loan Capitalisation Agreement at the LC Subscription Price
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	the ordinary share(s) of nominal value HK\$0.0125 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. CHAN Ting, the chairperson, an executive Director, the chief executive officer of the Company and a director of Best Frontier
“%”	per cent.

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

Hong Kong, 27 July 2022

As at the date of this announcement, the Board comprises Mr. CHAN Ting, Mr. LIAO Zhe and Mr. CHEUK Ka Chun Kevin as executive Directors, Madam CHEUNG Kwai Lan and Dr. CHENG Yanjie as non-executive Directors and Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. CHAU Wai Wah Fred as independent non-executive Directors.

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

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