
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 (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

**1) CONNECTED TRANSACTION IN RELATION
TO PROPOSED AMENDMENTS TO THE TERMS
OF THE CONVERTIBLE BONDS;
2) PROPOSED GRANT OF SPECIFIC MANDATE
TO ISSUE CONVERSION SHARES;
AND
3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Gram Capital Limited
嘉林資本有限公司

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

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from Gram Capital, being the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 16 to 26 of this circular.

A notice convening the EGM of the Company to be held at Units 307–313, 3/F, Wireless Centre, Phase One Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on Wednesday, 25 March 2020 at 11:00 a.m. is set out on pages 32 to 33 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>.

10 March 2020

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:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Best Frontier”	Best Frontier Investments Limited, a limited company incorporated in the British Virgin Islands
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds from time to time
“Business Day”	any day (excluding a Saturday, a Sunday and any public holiday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Sinopharm Tech Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Period”	the period from 18 January 2020 to 17 January 2021
“Conversion Price”	the conversion price of the Convertible Bonds, initially being HK\$2.39 per Conversion Share (subject to adjustment); As result of Share Subdivision became effective on 17 December 2014, the conversion price of the Convertible Bonds was adjusted to HK\$0.34 per Conversion Share
“Conversion Share(s)”	the maximum number of 263,602,941 new Shares which may be allotted and issued upon conversion of the Convertible Bonds in full
“Convertible Bonds”	the 8% coupon convertible bonds in aggregate amount of HK\$89,625,000 issued by the Company to the Subscriber pursuant to the Subscription Agreement (as amended by the First Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve the Fourth Amendment Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to issue the Conversion Shares

DEFINITIONS

“First Amendment Agreement”	the amendment agreement dated 18 January 2017 entered into between the Company and the Bondholder
“Fourth Amendment Agreement”	the fourth amendment agreement dated 7 February 2020 entered into between the Company and the Bondholder in relation to the Proposed Amendment
“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”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Fourth Amendment Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to issue the Conversion Shares
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Fourth Amendment Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those who have a material interest in the relevant resolution(s) to be proposed at the EGM
“Integrated Asset Management”	Integrated Asset Management (Asia) Limited, a limited company incorporated in the British Virgin Islands
“Interest Payment Date”	the dates on which the interest under the Convertible Bonds shall be paid by the Company to the Bondholders under the Subscription Agreement, the first payment to be made within one year from the issue date of the Convertible Bonds, the second payment to be made on the second anniversary of the issue date and the last payment to be made on the Maturity Date
“Latest Practicable Date”	5 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Maturity Date”	on 17 January 2020

DEFINITIONS

“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
“Proposed Amendment”	the proposed amendment to the Convertible Bonds pursuant to the terms of the Fourth Amendment Agreement
“Second Amendment Agreement”	the second amendment agreement dated 18 January 2018 entered into between the Company and the Bondholder
“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)
“Share Subdivision”	the subdivision of every issued and unissued share in the capital of the Company from HK\$0.05 each to HK\$0.0125 each, which took effect on 17 December 2014
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issuance of the Conversion Shares to the Bondholder upon its exercise of the conversion rights
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	Integrated Asset Management
“Subscription Agreement”	the conditional subscription agreement dated 13 January 2014 and entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds
“substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong
“Third Amendment Agreement”	the third amendment agreement dated 17 January 2019 entered into between the Company and the Bondholder in relation to the amendments
“%”	per cent.

If there is any inconsistency in this circular between the Chinese and English versions, then 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:

Madam CHEUNG Kwai Lan (*Chairperson*)
Mr. CHAN Ting (*Deputy Chairperson and
Chief Executive Officer*)

Non-executive Director:

Mr. CHAN Tung Mei
Dr. CHENG Yanjie

Independent Non-executive Directors:

Mr. LAU Fai Lawrence
Dr. LIU Ta-pei
Mr. CHAU Wai Wah Fred

Registered office:

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

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

Units 307–313, 3/F
Wireless Centre
Phase One Hong Kong Science Park
Pak Shek Kok, New Territories
Hong Kong

10 March 2020

To the Shareholders

Dear Sir/Madam,

**1) CONNECTED TRANSACTION IN RELATION
TO PROPOSED AMENDMENTS TO THE TERMS
OF THE CONVERTIBLE BONDS;
2) PROPOSED GRANT OF SPECIFIC MANDATE
TO ISSUE CONVERSION SHARES;
AND
3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 February 2020, in relation to, among others, the Fourth Amendment Agreement to the terms of the Convertible Bonds, and the transactions contemplated thereunder, which constitutes a

LETTER FROM THE BOARD

connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Board proposes to seek the approval of the Independent Shareholders for the Fourth Amendment Agreement and the transactions contemplated thereunder, including the Proposed Amendment and the Specific Mandate involving the issuance of Conversion Shares falling to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

Reference is made to the announcements of the Company dated 13 January 2014, 17 January 2014, 18 January 2017, 7 August 2017, 18 January 2018, 17 January 2019, 10 May 2019, 17 January 2020, and the circulars of the Company dated 27 November 2014, 10 March 2017, 29 March 2018 and 1 March 2019.

On 13 January 2014, the Company entered into the Subscription Agreement with Integrated Asset Management (as the Subscriber and the Bondholder), pursuant to which the Company conditionally agreed to issue the Convertible Bonds due 2017, in the aggregate principal amount of HK\$89,625,000 at the interest rate of 2% per annum, to Integrated Asset Management. On 17 January 2014, the Company completed the issue of the Convertible Bonds to Integrated Asset Management pursuant to the Subscription Agreement.

On 18 January 2017, 18 January 2018, and 17 January 2019, the Company entered into the First Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement with Integrated Asset Management respectively to amend certain terms and conditions of the Convertible Bonds. On 10 May 2019, as a result of the allotment and issue of 650,000,000 consideration shares to Sinopharm Traditional Chinese Medicine Overseas Holdings Limited, the Conversion Price of the Convertible Bonds has changed to HK\$0.34 per Conversion Share, and the number of Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full shall be 263,602,941 Shares.

As at the Latest Practicable Date, the Bondholder is interested in 461,733,000 Shares, representing approximately 11.24% of the issued Share capital of the Company, being a substantial Shareholder and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. Pursuant to the Third Amendment Agreement and due to the allotment and issue of the consideration shares to Sinopharm Traditional Chinese Medicine Overseas Holdings Limited on May 10 2019, the maximum number of Conversion Shares that can be allotted and issued to the Bondholder under the Convertible Bonds (if all conversion rights attaching to the Convertible Bonds in the principal amount of HK\$89,625,000 are exercised by the Bondholder in full) will be 263,602,941 Conversion Shares. If all conversion rights attaching to the Convertible Bonds are exercised by the Bondholder in full, the Bondholder will be interested in 725,335,941 Shares, representing approximately 17.65% of the current issued Share capital of the Company and approximately 16.59% of the enlarged issued Share capital of the Company.

As at the Latest Practicable Date, the issued Share capital of the Company was 4,108,855,068 Shares. None of the Convertible Bonds have been redeemed nor converted.

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 17 January 2020, the Convertible Bonds was due on 17 January 2020 pursuant to the Third Amendment Agreement. As disclosed in the announcement of the Company dated 7 February 2020, the Company and Integrated Asset Management entered into the Fourth Amendment Agreement on 7 February 2020 to amend the terms and conditions of the Convertible Bonds.

The purpose of this circular is to provide you with, among others things:

1. details of the Fourth Amendment Agreement and the transactions contemplated thereunder;
2. the recommendations of the Independent Board Committee in relation to the Fourth Amendment Agreement and the transactions contemplated thereunder;
3. the recommendations of Gram Capital in relation to the Fourth Amendment Agreement and the transactions contemplated thereunder; and
4. the notice of the EGM.

THE FOURTH AMENDMENT AGREEMENT

On 7 February 2020 (after trading hours), the Company entered into the Fourth Amendment Agreement with Integrated Asset Management as the Bondholder, pursuant to which the Company and the Bondholder agreed to amend the terms and conditions of the Convertible Bonds as follows:

The Maturity Date of the Convertible Bonds issued under the Subscription Agreement shall be extended for six months from 17 January 2020 to 17 July 2020. The maturity date may be further extended to 17 January 2021 upon a prior written consent from the Bondholder.

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

The Board expects that the prior written consent will be received from the Bondholder before the maturity date of 17 July 2020 in case further extension to 17 January 2021 is needed.

Pursuant to the Fourth Amendment Agreement, the Proposed Amendment shall take effect upon the fulfilment of the following conditions precedent:

- i) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Proposed Amendment having been obtained;
- ii) passing of all necessary resolutions by the Independent Shareholders at the EGM to approve the Fourth Amendment Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate; and

LETTER FROM THE BOARD

- iii) approval from the Stock Exchange having been granted for the listing of, and permission to deal in, the Convertible Shares on the Stock Exchange during the Conversion Period.

None of the above conditions could be waived by the parties to the Fourth Amendment Agreement. As at the Latest Practicable Date, the condition i) above has been satisfied. Saved as disclosed, none of the above conditions have been fulfilled.

Conversion Price per Conversion Share

Under the Third Amendment Agreement, the Conversion Price was HK\$0.359 per Share, at which the maximum number of 249,651,810 Shares could be allotted and issue upon conversion of the Convertible Bonds in full. As disclosed in the announcement of the Company dated 10 May 2019, the Conversion Price was adjusted to HK\$0.34 per Conversion Share, at which a maximum number of 263,602,941 Shares could be allotted and issue upon conversion of the Convertible Bonds in full.

Under the Fourth Amendment Agreement, there was no further adjustment on the Conversion Price and the maximum number of Conversion Shares. As a result, the Conversion Price under the Convertible Bonds is remained at HK\$0.34 per Conversion Share for the conversion of a maximum number of 263,602,941 Conversion Shares.

The Conversion Price was determined after arm's length negotiation between the Company and Integrated Asset Management with reference to the recent performance of the Company's Share price. The Conversion Price of HK\$0.34 per Conversion Share represents:

- (i) a premium of approximately 42.86% to the closing price per Share of HK\$0.238 as quoted on the Stock Exchange on 7 February 2020 (the date of the Fourth Amendment Agreement);
- (ii) a premium of approximately 42.86% to the average closing price per Share of approximately HK\$0.238 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 7 February 2020; and
- (iii) a premium of approximately 15.25% to the closing price per Share of HK\$0.295 as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The extension of the Maturity Date of the Convertible Bonds at the conversion price at \$0.34 will be beneficial to the Company by mitigating the pressure on its cashflows. Taking into account that (i) the Conversion Price remained at \$0.34 for the extension of the Maturity Date of the Convertible Bonds which will be beneficial to the Company by mitigating the pressure on its cashflows; and (ii) the Group's difficulties in obtaining bank borrowings, the Board considers that the Conversion Price, which remained at HK\$0.34 given that the Convertible Bonds continues to be interest bearing under the Fourth Amendment Agreement, to be justifiable and is in the interests of the Independent Shareholders.

Specific Mandate for the Issuance of the Conversion Shares

The total Conversion Shares of 263,602,941 will be allotted and issued by the Company upon exercise of the conversion rights under the Convertible Bonds in full at HK\$0.34 per Share. In view that the Proposed Amendment is effectively a new arrangement that involves issue of new Shares, issuance of 263,602,941 Conversion Shares shall be subject to the Independent Shareholders' approval.

Listing application

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

REASONS FOR AND BENEFITS OF THE PROPOSED AMENDMENT

The Group is principally engaged in (i) the provision of lottery-related services; (ii) the provision of internet plus services (solution and supply chain); and (iii) other services.

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

The Proposed Amendment was arrived at after arm's length negotiation between the Company and the Bondholder. The Board considers that the extended time for the repayment to the Bondholder will be beneficial to the Company and its operations by mitigating the pressure on its cashflows. In view of the loss making position of the Group for the year ended June 2019 and lack of available assets collateral, the Board considers that it is difficult for the Group to obtain bank borrowings at favourable terms. Per the Group's unaudited financial statements as at 31 December 2019, the Company only had property, plant and equipment of approximately HK\$1.7 million which means the Company did not have available assets to be pledged as collateral for obtaining bank borrowings. Therefore, the Board considers that it is difficult for the Group to obtain bank borrowings based on the above assessments.

LETTER FROM THE BOARD

The Company and Mr. Yim Hin Keung, an Independent Third Party has entered into the warrant subscription agreement (the “**Warrant Subscription Agreement**”) on 3 January 2020, under which the Company conditionally agreed to issue to the Subscriber the warrants (the “**Warrant(s)**”) conferring the rights to subscribe for a maximum number of 200,000,000 warrant Shares (the “**Warrant Shares**”). An ordinary resolution was passed at the extraordinary general meeting of the Company held on 17 February 2020 to, among other things, approve the Warrant Subscription Agreement and to grant to the Directors a specific mandate to allot and issue the Warrant Shares. Issuance of the Warrants took place on 2 March 2020. Upon completion of the issue of the Warrants, the gross proceeds of HK\$8 million was received by the Company. Assuming the full exercise of the subscription rights attaching to the maximum number of Warrants at the exercise price of HK\$0.35 for each Warrant Share, the Company will further raise an additional of HK\$70.0 million. The aggregate gross proceeds in the amount of HK\$78.0 million, less the relevant expenses, are expected to be used for general working capital, repayment of debts and future investment of the Group as and when opportunities arise but no specific investment targets have been identified yet as at the Latest Practicable Date. Taking into consideration the above, the Board considers that it will increase the possibilities of repaying the Convertible Bonds through the equity financing since the Company’s financial position is strengthened and the Company’s business has an outlook of steady growth.

The Company will seek for any possibilities to raise fund through the debt or equity financing continuously for the repayment of the Convertible Bonds. Also, the Company will discuss with the Bondholder to consider any possibilities to convert all or part of the Convertible Bonds. In case further extension is needed on the maturity date of 17 July 2020, the Company will discuss with the Bondholder and expects that its prior written consent will be received before the maturity date of 17 July 2020.

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

FUND RAISING ACTIVITY IN THE PAST TWELVE-MONTH PERIOD

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

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of the Latest Practicable Date
03/01/2020	Proposed issue of 200,000,000 units of unlisted warrants under specific mandate at the issue price of HK\$0.04 per warrant and exercise price of HK\$0.35 per warrant share	Approximately HK\$77.8 million	General working capital, repayment of debts and future investment of the Group	Nil

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of the Latest Practicable Date; and (ii) for illustration purpose only, immediately after the allotment and issuance of all the Conversion Shares upon exercise of the conversion rights under the Convertible Bonds in full at HK\$0.34 per Share, assuming there is no change in the number of issued Shares from the date of the Latest Practicable Date up to the date of allotment and issue of the Conversion Shares, is as follows:

Shareholders	As at the Latest Practicable Date		Immediately after allotment and issuance of all the Conversion Shares upon exercise of the conversion rights in full under the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Directors				
Madam Cheung Kwai Lan	4,656,000	0.11	4,656,000	0.11
Mr. Chan Tung Mei	3,020,000	0.07	3,020,000	0.07
Dr. Cheng Yanji	1,965,000	0.05	1,965,000	0.04
Mr. Chau Wai Wah Fred	<u>3,800,000</u>	<u>0.09</u>	<u>3,800,000</u>	<u>0.09</u>
Sub-total	13,441,000	0.32	13,441,000	0.31
Sinopharm Traditional Chinese Medicine Overseas Holdings Limited	650,000,000	15.82	650,000,000	14.87
Best Frontier Investments Limited (<i>Note 1</i>)	632,920,856	15.40	632,920,856	14.48
Integrated Asset Management (Asia) Limited (“ Integrated Asset Management ”) and its concert parties (<i>Note 2</i>)	461,733,000	11.24	725,335,941	16.59
Public Shareholders	<u>2,350,760,212</u>	<u>57.22</u>	<u>2,350,760,212</u>	<u>53.75</u>
Total	<u>4,108,855,068</u>	<u>100.00</u>	<u>4,372,458,009</u>	<u>100.00</u>

Notes:

- 632,920,856 Shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam CHEUNG Kwai Lan and Mr. CHAN Tung Mei who are spouses to each other. In addition, Madam CHEUNG and Mr. CHAN directly beneficially holds 4,656,000 and 3,020,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to have interests in the Shares.

LETTER FROM THE BOARD

2. The 461,733,000 Shares are owned by Integrated Asset Management which is 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 were issued to Integrated Asset Management 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 Management, 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 Management upon conversion of the CBs in full. The amended conversion price is 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 maturity date upon a prior written consent from Integrated Asset Management would be 17 January 2019. Such written consent from Integrated Asset Management has been received by the Company. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset Management upon conversion of the CBs in full.

An ordinary resolution was passed at the extraordinary general meeting of the Company held on 19 March 2019 in which pursuant to the third amendment agreement, the amendments are that the maturity date of the CBs shall be 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 Management. Such written consent from Integrated Asset Management has been received by the Company. A maximum number of 249,651,810 Shares shall be allotted and issued to Integrated Asset Management upon conversion of the CBs in full.

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

Upon the Fourth Amendment Agreement taking effect, a maximum number of 263,602,941 Conversion Shares may be allotted and issued to Integrated Asset Management upon conversion of the CBs in full.

IMPLICATIONS UNDER THE GEM LISTING RULES

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

As at the Latest Practicable Date, Integrated Asset Management was interested in 461,733,000 Shares, representing approximately 11.24% of the issued share capital of the Company. Accordingly, Integrated Asset Management is a substantial Shareholder and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. Accordingly, the Proposed Amendment as contemplated under the Fourth Amendment Agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

As the Fourth Amendment Agreement and the transactions contemplated thereunder do not fall into any exemption under Rule 20.71 of the GEM Listing Rules, the Fourth Amendment Agreement (and the Proposed Amendment contemplated thereunder) is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Specific Mandate for the allotment and issuance of the Conversion Shares will also be sought at the EGM.

EGM

The resolution(s) to be proposed at the forthcoming EGM are set out in full in the notice of the EGM on pages 32 to 33 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Integrated Asset Management and its associates will abstain from voting at the EGM on the resolution(s) relating to the Fourth Amendment Agreement and all transactions contemplated thereunder. Other than Integrated Asset Management and its associates, none of the Shareholders has a material interest in the transactions contemplated under the Fourth Amendment Agreement and accordingly, no other Shareholder will be required to abstain from voting on the relevant resolutions(s) at the EGM.

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 and in such event, the proxy shall be deemed to be revoked.

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.

RECOMMENDATIONS

Taking into account the reasons as set out in the paragraph headed "Reasons for and benefits of the Proposed Amendment" above, the Directors are of the view that the terms and conditions of the Convertible Bonds (as amended by the Fourth Amendment Agreement) are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

An Independent Board Committee (comprising all Independent non-executive Directors) has been formed to advise the Independent Shareholders and the Company has also appointed Gram Capital, the Independent Financial Adviser, to advise the Independent Board Committee and the Independent Shareholders regarding the Fourth Amendment Agreement and all the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Independent Board Committee, having considered the advice of Gram Capital, is of the view that the terms and conditions of the Convertible Bonds (as amended by the Fourth Amendment Agreement) are on normal commercial basis, fair and reasonable, and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Fourth Amendment Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Fourth Amendment Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.

None of the Directors and their respective associates have material interest in the Fourth Amendment Agreement and the transactions contemplated thereunder and none were required to abstain from voting on the Board resolutions in relation thereto.

ADDITIONAL INFORMATION

Your attention is drawn to the (i) letter from the Independent Board Committee set out in this circular and (ii) letter from Gram Capital set out in this circular, which contains among other matters, Gram Capital's advice to the Independent Board Committee and the Independent Shareholders in connection with the Fourth Amendment Agreement 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
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders in relation to the Fourth Amendment Agreement and the transactions contemplated thereunder.



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)

10 March 2020

To the Independent Shareholders

Dear Sir or Madam,

**1) CONNECTED TRANSACTION IN RELATION
TO PROPOSED AMENDMENTS TO THE TERMS
OF THE CONVERTIBLE BONDS; AND
2) PROPOSED GRANT OF SPECIFIC MANDATE
TO ISSUE CONVERSION SHARES**

INTRODUCTION

We refer to the circular of the Company dated 10 March 2020 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 the terms of the Fourth Amendment Agreement, Proposed Amendment and the transaction contemplated thereunder, and the Specific Mandate and whether they are fair and reasonable so far as the Independent Shareholder are concerned.

Details of the advice of Gram Capital, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 16 to 26 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 13 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 Fourth Amendment Agreement, the principal factors and reasons considered by, and the advice of Gram Capital, we are of the view that the Fourth Amendment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole 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 Fourth Amendment Agreement and the transactions contemplated thereunder, and the Specific Mandate.

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 GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendment for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

10 March 2020

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

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO PROPOSED AMENDMENT TO THE TERMS OF THE CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendment, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 March 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, on 13 January 2014, the Company entered into the Subscription Agreement with Integrated Asset Management (i.e. the Bondholder) pursuant to which the Company conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of HK\$89,625,000 to Integrated Asset Management. On 17 January 2014, the Company completed the issue of the Convertible Bonds to Integrated Asset Management pursuant to the Subscription Agreement. On 18 January 2017, 18 January 2018 and 17 January 2019, the Company entered into the First Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement with the Bondholder respectively to amend certain terms and conditions of the Convertible Bonds.

With reference to the Company’s announcement dated 10 May 2019, as a result of the allotment and issue of 650,000,000 consideration shares to Sinopharm Traditional Chinese Medicine Overseas Holdings Limited, the Conversion Price of the Convertible Bonds had changed to HK\$0.34 per Conversion Share (from HK\$0.359 pursuant to the Third Amendment Agreement).

LETTER FROM GRAM CAPITAL

On 7 February 2020 (after trading hours), the Company entered into the Fourth Amendment Agreement with Integrated Asset Management, pursuant to which the Company and Integrated Asset Management agreed to further amend certain term and conditions of the Convertible Bonds (i.e. the Proposed Amendment).

With reference to the Board Letter, the Proposed Amendment is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee comprising Mr. Lau Fai Lawrence, Dr. Liu Ta-pei and Mr. Chau Wai Wah Fred (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Proposed Amendment are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Amendment is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Proposed Amendment at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposed Amendment. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

LETTER FROM GRAM CAPITAL

The 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 the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Integrated Asset Management or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Amendment. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Amendment, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Proposed Amendment

Information on the Group

With reference to the Board Letter, the Group's principal business activities are (i) the provision of lottery-related services; (ii) the provision of internet plus services (solution and supply chain); and (iii) others services.

Set out below are the consolidated financial information of the Group for the six months ended 31 December 2019 and the two years ended 30 June 2019 as extracted from the Company's interim report for the six months ended 31 December 2019 (the "2019/20 Interim Report") and the Company's annual report for the year ended 30 June 2019 (the "2018/19 Annual Report"):

	For the six months ended 31 December 2019 <i>HK\$'000</i> (unaudited)	For the year ended 30 June 2019 <i>HK\$'000</i> (audited)	For the year ended 30 June 2018 <i>HK\$'000</i> (audited)	Year-on-year change %
Revenue	87,380	43,503	25,347	71.63
Loss for the period/year	18,270	45,626	71,585	(36.26)

	As at 31 December 2019 <i>HK\$'000</i> (unaudited)	As at 30 June 2019 <i>HK\$'000</i> (audited)	As at 30 June 2018 <i>HK\$'000</i> (audited)	Year-on-year change %
Bank balances and cash	6,709	6,646	4,719	40.83
Net assets/(liabilities)	22,379	37,239	(59,999)	N/A

The Group recorded revenue of approximately HK\$43.50 million for the year ended 30 June 2019 ("FY2018/19"), representing an increase of approximately 71.63% as compared to that for the year ended 30 June 2018 ("FY2017/18"). With reference to the 2018/19 Annual Report, the increase in revenue was attributable to the new business on internet plus services of supply chain and recognizing "interest plus lease" services contract. With reference to the 2019/20 Interim Report, the Group recorded revenue of approximately HK\$87.38 million for the six months ended 31 December 2019 ("HY2019/20"), representing an increase of over 600% as compared to that for the six months ended 31 December 2018 and exceeding the revenue for the FY2018/19.

LETTER FROM GRAM CAPITAL

The Group recorded loss of approximately HK\$45.63 million respectively for FY2018/19, representing a decrease of approximately 36.26% as compared to that for FY2017/18. With reference to the 2018/19 Annual Report and as advised by the Directors, the major reasons for such decrease of the loss were mainly due to the net effects of (i) new business segment contribution from Internet plus supply chain services; (ii) that the Group has taken various measures to tighten cost controls; (iii) fair value gain on investment in associates; and (iv) written back of consideration payable for acquisition of subsidiaries and impairment losses on assets made for FY2018/19.

As at 31 December 2019, the Group recorded bank balances and cash and net assets of approximately HK\$6.71 million and HK\$22.38 million respectively.

Information on Integrated Asset Management

With reference to the Board Letter, Integrated Asset Management is principally engaged in investment holding and is wholly owned by Mr. Yam Tak Cheung.

Reasons for the Proposed Amendment

As advised by the Directors, if the Convertible Bonds were not extended and converted, it would expire on 17 January 2020 and the Company would be obligated to repay the outstanding principal amount of the Convertible Bonds (being HK\$89,625,000) together with all unpaid interests accrued immediately. As mentioned above, the Group had bank balances and cash of approximately HK\$6.71 million as at 31 December 2019, which would be insufficient to repay the outstanding principal amount of the Convertible Bonds (being HK\$89,625,000) together with the unpaid interests accrued. Upon our further enquiry, the Directors also confirmed that the Group has insufficient internal resources as at the Latest Practicable Date for repayment of the Convertible Bonds.

With reference to the Board Letter, the Proposed Amendment was arrived at after arm's length negotiation between the Company and Integrated Asset Management. The Board considers that the extended time for the repayment to Integrated Asset Management will be beneficial to the Company and its operations by mitigating the pressure on its cash flows.

Apart from the extension of maturity date of the Convertible Bonds under the Proposed Amendment, for our due diligence purpose, we noted the Group's recent financing activities/initiatives as follows:

- With reference to the 2019/20 Interim Report, the Group had total assets of approximately HK\$227.89 million (of which goodwill amounted to approximately HK\$177.55 million, while property, plant and equipment only amounted to approximately HK\$1.66 million), bank balances and cash of approximately HK\$6.71 million and net assets of approximately HK\$22.38 million as at 31 December 2019. We also noted that the Group recorded loss for four consecutive financial years since the year ended 30

LETTER FROM GRAM CAPITAL

June 2016. With reference to the Board Letter, in view of the loss making position of the Group for FY2018/19 and the lack of available assets collateral, the Board considers that it is difficult for the Group to obtain bank borrowings at favourable terms.

- With reference to the Company's announcement dated 3 January 2020, the Company conditionally agreed to issue a total of 200,000,000 unlisted warrants (the "**Warrants**") to a subscriber (or his nominee) at an aggregate warrant price of HK\$8 million under specific mandate. The Warrants confer the rights to subscribe for a maximum number of 200,000,000 new Shares at an exercise of HK\$0.35 per Share (subject to adjustments). As further mentioned in the announcement, the aggregate gross proceeds in the amount of HK\$78 million (i.e. HK\$8 million from the issuance of Warrants and HK\$70 million assuming the full exercise of the subscription rights attaching to the maximum number of Warrants at the exercise price of HK\$0.35), less the relevant expenses, are expected to be used for general working capital, repayment of debts and future investment of the Group as and when opportunities arise. On 17 February 2020, an ordinary resolution in relation to the issuance of Warrants was passed at the extraordinary general meeting of the Company. With reference to the Board Letter, the issuance of Warrants took place on 2 March 2020. the Board considers that the issuance of Warrants will increase the possibilities of repaying the Convertible Bonds through the equity financing since the Company's financial position is strengthened and the Company's business has an outlook of steady growth.
- With reference to the 2019/20 Interim Report, the Company had other loans (the "**Other Loans**") of approximately HK\$19.5 million as at 31 December 2019 (as compared to nil as at 30 June 2019). As advised by the Directors, the Company obtained loans at borrowing costs of 12% and 15% per annum during the six months ended 31 December 2019.

With reference to the Board Letter, the Company will seek for any possibilities to raise fund through the debt or equity financing continuously for the repayment of the Convertible Bonds. Also, the Company will discuss with the Bondholder to consider any possibilities to convert all or part of the Convertible Bonds. In case further extension is needed on the maturity date of 17 July 2020, the Company will discuss with the Bondholder and expects that its prior written consent will be received before the maturity date of 17 July 2020.

Having considered the above factors, in particular (i) our independent work done on the Group's financial position (such as consecutive loss positions during recent financial years and lack of valuable tangible assets, low bank balances and cash as at 31 December 2019) and recent financing activities/initiatives; and (ii) that the Group has insufficient internal resources as at the Latest Practicable Date for repayment of the Convertible Bonds, we are of the view that although the Proposed Amendment are not in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Proposed Amendment

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

- The Maturity Date of the Convertible Bonds issued under the Subscription Agreement shall be extended for six months from 17 January 2020 to 17 July 2020. The maturity date may be further extended to 17 January 2021 upon a prior written consent from the Bondholder.

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

Analysis on the Conversion Price

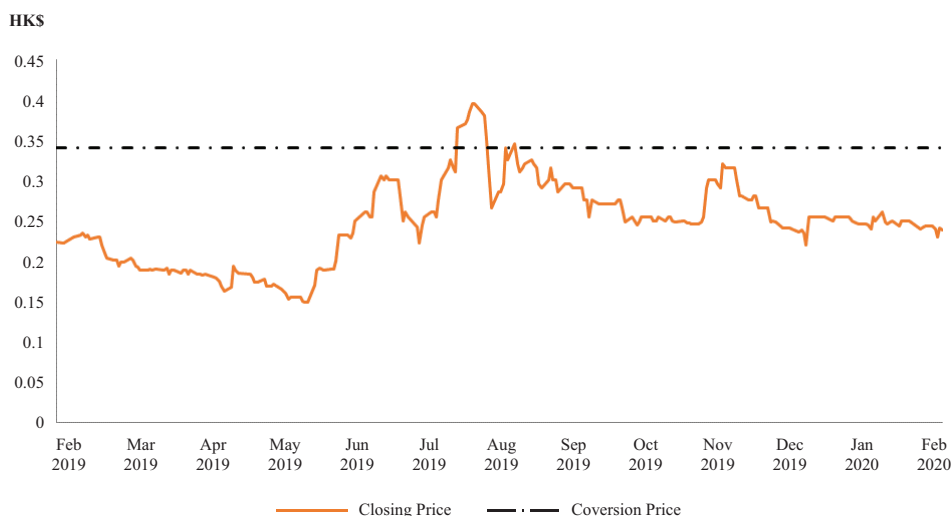
The Conversion Price of HK\$0.34 per Conversion Share pursuant to the Fourth Amendment Agreement, represents:

- (a) a premium of approximately 15.25% over the closing price per Share of HK\$0.295 as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 42.86% over the closing price per Share of HK\$0.238 as quoted on the Stock Exchange on 7 February 2020, being the date of the Fourth Amendment Agreement;
- (c) a premium of approximately 42.86% over the average closing price per Share of approximately HK\$0.238 as quoted on the Stock Exchange for the last five consecutive trading dates up to and including 7 February 2020, being the date of the Fourth Amendment Agreement;
- (d) a premium of approximately 38.21% over the average closing price per Share of approximately HK\$0.246 as quoted on the Stock Exchange for the last twenty consecutive trading dates up to and including 7 February 2020, being the date of the Fourth Amendment Agreement; and
- (e) a premium of approximately 44.07% to the closing price per Share of HK\$0.236 as quoted on the Stock Exchange on 17 January 2019, being the date of the Third Amendment Agreement.

LETTER FROM GRAM CAPITAL

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 February 2019 up to and including 7 February 2020 (the “**Review Period**”), being a period of approximately one year prior to and including the date of the Fourth Amendment Agreement. The comparison of daily closing prices of the Shares and the Conversion Price is illustrated as follows:

Historical daily closing price per Share



Source: the Stock Exchange's website

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.149 recorded on 16 May 2019 and 17 May 2019 and HK\$0.395 per Share recorded on 25 July 2019 and 26 July 2019 respectively. The Conversion Price of HK\$0.34 is within the range of the lowest and highest closing price of the Shares as quoted on the Stock Exchange during the Review Period.

The Conversion Price was higher than the closing price of the Shares in 238 trading days during 249 trading days during the Review Period. The closing price of Shares was on a decreasing trend since the start of the Review Period until reaching its trough at HK\$0.149 in mid-May 2019. After that, the closing price of Shares increased until reaching its peak at HK\$0.395 in late July 2019. The closing price of Shares slumped from HK\$0.395 on 26 July 2019 to HK\$0.265 on 2 August 2019, and surged to HK\$0.345 on 12 August 2019. The closing price of Shares fluctuated between HK\$0.22 and HK\$0.325 during the period from 13 August 2019 to 7 February 2020.

As part of our analysis, we further identified subscription/placing of convertible bonds/notes for cash (the “**CB Comparables**”) which were announced by companies listed on the Stock Exchange from 1 January 2020 up to 7 February 2020, being an approximate one-month period immediately before the date of the Fourth Amendment Agreement. To the best of our knowledge and as far as we are aware of, we found 7

LETTER FROM GRAM CAPITAL

transactions which met the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the CB Comparables.

Company name (stock code)	Date of announcement	Maturity (Years)	Interest rate per annum (%)	Premium/(discount) of the conversion price to closing price per share on the date of agreement in relation to the respective subscription/placing of convertible bonds/notes (%)
Dafy Holdings Limited (1826)	8 January 2020	1	6	12.96
Best Food Holding Company Limited (1488)	13 January 2020	7	Nil	12.38
ANTA Sports Products Limited (2020)	14 January 2020	5	Nil	40.00
Huajun International Group Limited (377)	22 January 2020	5	Nil	192.31
Sino Biopharmaceutical Limited (1177)	23 January 2020	5	Nil	57.51
Viva Biotech Holdings (1873)	23 January 2020	5 (Note 1)	2.5	26.00
Wai Chun Bio-Technology Limited (660)	23 January 2020	3	4	(16.92)
Maximum		7	6	192.31
Minimum		1	Nil	(16.92)
Average		4.43	1.79	46.32
The Proposed Amendment	7 February 2020	0.5 (Note 2)	8	42.86 (Note 3)

Notes:

1. Approximately 5 years
2. 0.5 year from the date of the Fourth Amendment Agreement. With prior written consent from the Bondholder, the maturity date will be further extended by 6 months.
3. Premium of the Conversion Price to the closing price of Shares on the date of the Fourth Amendment Agreement

LETTER FROM GRAM CAPITAL

We noted from the above table that the conversion prices of the CB Comparables ranged from a discount of approximately 16.92% to a premium of approximately 192.31% to/over the respective closing prices of the shares on the date of agreement in relation to the respective subscription/placing of convertible bonds/notes (the “**Discount/Premium Market Range**”). The Conversion Price, which represents a premium of approximately 42.86% to the closing price of the Shares on the date of Fourth Amendment Agreement (the “**Agreement Date Premium**”), falls within the Discount/Premium Market Range.

Having taken into account, in particular, that (i) the Conversion Price falls within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period; and (ii) the Conversion Price is in line with the recent market practice, we consider the Conversion Price at HK\$0.34 under the Fourth Amendment Agreement to be justifiable.

Analysis on the interest rate

As shown in the table above, the CB Comparables have an annual interest rate of nil to 6% (the “**Interest Market Range**”). Pursuant to the Fourth Amendment Agreement, the interest rate born by the Convertible Bonds remained at 8% per annum (the “**Interest Rate**”). Despite that the Interest Rate is higher than the Interest Market Range, having considered that (i) the Interest Rate is the same as that under the previous Third Amendment Agreement; (ii) the Group has insufficient internal resources as at the Latest Practicable Date for repayment of the Convertible Bonds; (iii) the Proposed Amendment was arrived at after arm’s length negotiation between the Company and the Bondholder; and (iv) the Interest Rate is lower than the Group’s borrowing costs under the Other Loans (i.e. 12% and 15% per annum), we consider the Interest Rate to be justifiable.

For further details and terms of the Proposed Amendment, please refer to the section headed “THE FOURTH AMENDMENT AGREEMENT” of the Board Letter.

Taking into account the above, we are of the view that the terms of the Proposed Amendment are on normal commercial terms and are fair and reasonable.

3. Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed “CHANGES IN SHAREHOLDING STRUCTURE” of the Board Letter, the shareholding interests of the existing public Shareholders would be diluted by approximately 3.47 percentage point (the “**Dilution**”) immediately after all allotment and issuance of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds. Taking into account (i) the aforementioned reasons for the Proposed Amendment; and (ii) the terms of the Proposed Amendment being fair and reasonable, we are of the view that the Dilution is justifiable.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration of the factors and reasons as stated above, we are of the opinion that (i) the terms of the Proposed Amendment are on normal commercial terms and are fair and reasonable; and (ii) although the Proposed Amendment is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Amendment and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

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 of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which 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 in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules 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 associated corporation

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held				Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Personal Interest	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note 1)	The Company	632,920,856	4,656,000	3,020,000	640,596,856	15.59%
Mr. CHAN Tung Mei ("Mr. CHAN") (Note 1)	The Company	—	3,020,000	637,576,856	640,596,856	15.59%
Madam CHEUNG	Best Frontier (Note 1)	—	909	1	910	—
Mr. CHAN	Best Frontier (Note 1)	—	1	909	910	—
Mr. CHAU Wai Wah Fred	The Company	—	3,800,000	—	3,800,000	0.09%
Dr. CHENG Yanji	The Company	—	1,965,000	—	1,965,000	0.05%

Notes:

- 632,920,856 Shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN who are spouses to each other. In addition, Madam CHEUNG and Mr. CHAN directly hold 4,656,000 Shares and 3,020,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to be interested in the Shares.

2. As disclosed in the announcement of the Company dated 7 January 2020, on 7 January 2020, the Company granted share options (the “**Option(s)**”) to certain eligible persons, including the Directors, pursuant to the share option scheme of the Company adopted on 31 January 2013 to subscribe for an aggregate of 92,800,000 ordinary shares of HK\$0.0125 each in the share capital of the Company. The following Options were granted to the following Directors:

Madam CHEUNG	4,000,000 Options
Mr. CHAN Ting	4,000,000 Options
Mr. CHAN	3,600,000 Options
Dr. CHENG Yanjie	3,600,000 Options
Dr. LIU Ta-pei	3,600,000 Options
Mr. CHAU Wai Wah Fred	3,600,000 Options

None of the Directors has exercised his or her Options as at the Latest Practicable Date. The Directors are deemed to be interested in the Options granted to him or her for the purpose of Part XV of the SFO.

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, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) that are 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 in 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, Underlying Shares and Debentures 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 is 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 was deemed or taken to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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	15.82%
Best Frontier & its concert parties	Beneficial Owner	640,596,856	15.59%
Integrated Asset Management & its concert parties	Beneficial Owner	461,733,000	11.24%
Mr. TSE Siu Hoi	Beneficial Owner	310,650,000	7.56%

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 were 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 under the GEM Listing Rules) had 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

All the executive Directors and the non-executive Director have entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than six months' notice in writing served by either party on the other. All the independent non-executive Directors have not entered into any service contracts with the Company but they are subject to retirement by rotation and re-election 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 which is not 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 with any member of the Group 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 2019, 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 2019, 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
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and has not withdrawn its written consent to the 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, Gram Capital was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities which carry voting rights in any member of the Group, nor did it have any interest, directly or indirectly, in any asset which had been, since 30 June 2019, 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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, the Cayman Islands.
- (ii) The principal place of business of the Company in Hong Kong is at Unites 307–313, 3/F., Wireless Centre, Phase One Hong Kong Science Park, Pak Shek Kok, 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 307–313, 3/F, Phase One Hong Kong Science Park, Wireless Centre, Pak Shek Kok, 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 Subscription Agreement;
- (b) the First Amendment Agreement;
- (c) the Second Amendment Agreement;
- (d) the Third Amendment Agreement;
- (e) the Fourth Amendment Agreement;
- (f) the written consent of the expert referred to in the paragraph headed “Qualification and Consent of Expert” in this Appendix;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 in this circular;
- (h) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 26 in this circular; and
- (i) 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 307–313, 3/F, Wireless Centre, Phase One Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on Wednesday, 25 March 2020 at 11:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the fourth amendment agreement dated 7 February 2020 (the “**Fourth Amendment Agreement**”) entered into between the Company (as issuer) and Integrated Asset Management (Asia) Limited (as the bondholder), in relation to the proposed amendment of the term and condition of the 8% coupon convertible bonds due 17 January 2020 in the aggregate amount of HK\$89,625,000 (the “**Convertible Bonds**”) (details relating to the Fourth Amendment Agreement are set out in the circular of the Company dated 10 March 2020, and a copy of the Fourth Amendment Agreement has been produced at the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification), be and are hereby approved, confirmed and ratified;
- (b) subject to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) consenting to the alteration to the terms and conditions of the Convertible Bonds and the Stock Exchange granting approval for the listing of, and permission to deal in, the shares of the Company that may be issued pursuant to the terms and conditions (as amended by the Fourth Amendment Agreement) of the Convertible Bonds (the “**Conversion Shares**” and each a “**Conversion Share**”), the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot, issue and otherwise deal with the Conversion Shares which may be allotted and issued by the Company upon the exercise of the conversion right attaching to the Convertible Bonds in the principal amount of HK\$89,625,000 at the conversion price of HK\$0.34 per Conversion Share in accordance with the terms and conditions of the Convertible Bonds as amended by the Fourth Amendment Agreement, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate

NOTICE OF EGM

granted to the Directors by the shareholders of the Company in the extraordinary general meeting of the Company held on 20 November 2019, and to do all such things and acts and execute all such documents in connection with the issue and allotment of the Conversion Shares; and

- (c) any one Director be and is hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of such Director, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Fourth Amendment Agreement and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

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

Executive Director and Chief Executive Officer

Hong Kong, 10 March 2020

Registered Office:

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

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

Units 307–313, 3/F, Wireless Centre
Phase One Hong Kong Science Park
Pak Shek Kok, 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 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.