



**GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION**

CAUSE NO. FSD [282] OF 2024 (JAJ)

IN THE MATTER OF SECTIONS 15 & 16 OF THE COMPANIES ACT (2023 REVISION)

IN THE MATTER OF SINOPHARM TECH HOLDINGS LIMITED

PETITION

To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of Sinopharm Tech Holdings Limited (the **Company** or the **Petitioner**) of Tricor Services (Cayman Islands) Limited, Third Floor, Century Yard, Cricket Square, PO Box 902, Grand Cayman, KY1-1103, Cayman Islands, shows that:

INTRODUCTION

1 By this Petition, the Petitioner seeks an Order of the Court, pursuant to section 16 of the Companies Act (2023 Revision) (the **Act**), confirming a reduction of the capital of the Company which has been approved by a special resolution of the Company's shareholders (the **Capital Reduction**).

THE COMPANY

2 The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2001 with registration number 114541 by the Registrar

3 of Companies of the Cayman Islands. The Company is registered as a non-Hong Kong Company in Hong Kong with registration number 32835645.

4 The registered office of the Company is situated at Tricor Services (Cayman Islands) Limited, Third Floor, Century Yard, Cricket Square, PO Box 902, Grand Cayman, KY1-1103, Cayman Islands. Its current principal place of business in Hong Kong is situated at Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

Share Capital of the Company

5 On incorporation, the Company had an authorised share capital of HK\$200,000,000 divided into 640,000,000 shares of a nominal or par value of HK\$0.3125 each.

6 The shares of the Company have been listed and traded on the GEM of the Stock Exchange of Hong Kong Limited (the **HKSE**) with Stock Code 8156 since 12 November 2002.

7 As at the date of the Petition, the Company has an authorised share capital of HK\$200,000,000 divided into 640,000,000 ordinary shares of HK\$0.3125 each (the **Existing Shares**), of which 183,693,055 shares (representing share capital in the amount of HK\$57,404,080) are issued and fully paid up or credited as fully paid up.

The Company's Business

8 The objects for which the Company was established are unrestricted but include, without limitation, to carry on business as an investment company and as an investment holding company and to carry out other objects more particularly set forth in the Company's Second Amended and Restated Memorandum and Articles of Association adopted by special resolution on 22 December 2023 (the **Articles**).

9 The Company is an investment holding company. At all material times, the Company's principal activity was and is acting as the ultimate holding company of a group of subsidiaries (the **Group**) that is principally engaged in the supply chain business of healthcare products in Hong Kong and the People's Republic of China (**PRC**), including sourcing ingredients for Chinese medicine and other pharmaceutical products, transporting them to production and delivering the finished product to wholesalers and/or retailers, as well as the provision of internet plus services.

THE SOLVENCY OF THE COMPANY**Financial Information of the Company**

- 10 The Company is currently cash flow solvent and is able to pay its debts as they fall due. The Company was previously cash flow and balance sheet insolvent but through a series of negotiations (as elaborated below) was able to reach an agreement with these creditors to defer the payment dates to support the Company's capital reorganisation efforts.
- 11 Based on the Company's consolidated financial statements for the six months ended 31 December 2023, the Group:
- (a) suffered a net loss for the period of approximately HK\$2,239,000;
 - (b) had total assets of approximately HK\$46,230,000 and total liabilities of approximately HK\$228,739,000. Therefore, the Group's has a shortfall of total assets over total liabilities of approximately HK\$182,509,000; and
 - (c) had current liabilities of approximately HK\$228,739,000 against current assets of approximately HK\$36,702,000 which also demonstrates a shortfall of current assets against current liabilities.
- 12 On an audited basis, the consolidated financial statements in the Company's 2023 Annual Report show that as at the year ended 30 June 2023, the Company:
- (a) had a net profit for the year of approximately HK\$10,714,000;
 - (b) had total assets of approximately HK\$6,101,000 and total liabilities of approximately HK\$186,082,000. Therefore, the Company had a surplus of total liabilities over total assets of approximately HK\$179,981,000; and
 - (c) had current liabilities of approximately HK\$186,082,000 as against current assets of approximately HK\$5,087,000.
- 13 For completeness, on an audited basis, the annual results for the year ended 30 June 2023 show that the Group:

- (a) had a net loss for the year of approximately HK\$10,100,000;
 - (b) had total assets of approximately HK\$33,482,000 and total liabilities of approximately HK\$213,236,000. Therefore, the Group had more total liabilities than total assets in the sum of approximately HK\$179,754,000; and
 - (c) had current liabilities of approximately HK\$213,236,000 as against current assets of approximately HK\$27,045,000.
- 14 Based on the foregoing, the Company is insolvent on a balance sheet basis as it does not have sufficient assets to meet its liabilities. The Company was previously, in addition to being, balance sheet insolvent, cash flow insolvent and unable to pay its debts as they fell due. However, as a result of the Company entering into the agreements as provided in paragraphs 20 to 23 below, the Company was able to defer the payment dates of certain of its then-existing liabilities that were immediately due and payable to after the Capital Reorganisation (as defined in paragraph 28 below), such that the Company is currently solvent on a cash flow basis (albeit remaining balance sheet insolvent).

Indebtedness of the Company

- 15 The majority of the Group's indebtedness stems from the following:
- (a) on 17 January 2014, the Company issued unlisted convertible bonds with a principal amount of HK\$89,625,000 (the **CB I**) with an amended interest rate of 10% per annum. Integrated Asset Management (Asia) Limited (**IAM**) is the sole bondholder of CB I. According to the amended terms of CB I, the maturity date was extended to 17 January 2022 and has since matured. As at 31 December 2023, the sum of HK\$89,625,000 in principal together with interest in the sum of HK\$33,629,146 remain payable and outstanding under CB I, and the Company was indebted to IAM in an aggregate amount of HK\$123,254,146 (the **CB I Debt**). Since then, further interest continues to accrue in respect of the CB I Debt, such that as at 17 July 2024 (the **Latest Practicable Date**), the Company was indebted to IAM in the sum of HK\$125,697,348.
 - (b) on 30 August 2021, the Company issued unlisted convertible bonds due on 20 February 2023 with a principal amount of HK\$50,000,000 at an interest rate of 7% per annum (**CB**

II, and together with CB I, the **CBs**), which have matured on 20 February 2023. Creative Big Limited (**Creative Big**) is the sole bondholder of CB II. As at 20 February 2023, a sum of HK\$50,000,000 in principal together with interest in the sum of HK\$1,750,000 under CB II remain payable and outstanding. Subsequently, the Company and Creative Big agreed that the interest in respect of the outstanding principal under CB II for the period between 21 February 2023 to 31 December 2023 shall remain at the rate of 7% per annum on a simple interest and daily basis, and the outstanding interest for this period is HK\$3,010,959, bringing the total debt under CB II to HK\$54,760,959 as at 31 December 2023 (the **CB II Debt**). Further interest continues to accrue thereon and as at the Latest Practicable Date, the Company was indebted to Creative Big in the sum of HK\$56,669,178.

- (c) Pursuant to a loan agreement dated 8 November 2023 between the Company as borrower and Quantum Worldwide Investment Limited (**Quantum**) as the lender, Quantum granted a term loan facility to the Company in the sum of HK\$20,000,000 with an interest rate of 5% per annum with a term of one year from the date of the agreement (the **Quantum Debt**). As at the Latest Practicable Date, a total sum of HK\$15,461,644 remains outstanding under the Quantum Debt.

- 16 A chart showing a summary of the Company's indebtedness (including interest, where applicable) as at the Latest Practicable Date is as follows:

No	Item	Amount (HK\$)
1	CB I Debt	HK\$125,697,348
2	CB II Debt	HK\$56,669,178
3	Quantum Debt	HK\$15,461,644
4	Other liabilities	HK\$60,796,000

Hong Kong Proceedings

- 17 On 31 August 2023, Creative Big filed a winding up petition (the **Hong Kong Petition**) against the Company with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the **Hong Kong Court**) under the provision of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). The Hong Kong Petition demands for the repayment of the principal amount and interest accrued under CB II in the aggregate amount of HK\$53,106,849¹.
- 18 The Hong Kong Petition was last heard on 8 May 2024, whereby the Company and Creative Big came to an agreement and consented to the withdrawal of the Hong Kong Petition in order to facilitate and support the Company's capital reorganisation as detailed below.
- 19 As at the date of this Petition, no extant legal proceedings remain against the Company.

Deferring of the CB I Debt, CB II Debt and the Quantum Debt

- 20 The Company has been liaising with each of IAM, Creative Big and Quantum in relation to deferring payment under the CB I Debt, CB II Debt and the Quantum Debt respectively so as to facilitate the capital reorganisation (including the capital reduction) of the Company.
- 21 On 14 June 2024, the Company and IAM entered into a subscription agreement (the **IAM Loan Capitalisation Agreement**), whereby the Company would issue and IAM would subscribe for 300,000,000 shares of the Company and 932,541,460 non-voting convertible preference shares (**CPSs**) upon the successful capital reorganisation of the Company. The subscription price of the shares and CPSs will be satisfied by offsetting the sums due under the CB I Debt. A further term of the IAM Loan Capitalisation Agreement is that the payment date under the CB I Debt will be deferred to the completion date after the shares and CPSs have been issued. It was also further agreed that the interests in respect the CB I Debt for the period from 1 January 2024 up to the date of the completion of the IAM Loan Capitalisation Agreement would be reduced to 5% per annum on a simple interest and daily basis, which will be settled in cash by the Company's internal resources within 12 months from the date of completion of the IAM Loan Capitalisation

¹ This was the amount due under the CB II Debt as at the date of the Hong Kong Petition.

- Agreement or any other date to be agreed by both parties in writing. The interest for the period from 1 January 2024 up to the Latest Practicable Date was HK\$2,443,202.
- 22 On 14 June 2024, the Company and Creative Big entered into a subscription agreement (the ***Creative Big Loan Capitalisation Agreement***), whereby the Company would issue and Creative Big would subscribe for 547,609,590 CPSs at HK\$0.1 per CPS upon the successful capital reorganisation of the Company. The subscription price of the CPSs will be satisfied by offsetting the sums due under the CB II Debt. A further term of the Creative Big Loan Capitalisation Agreement is that the payment date under the CB II Debt will be deferred to the completion date after the CPSs have been issued. The interest accruing on the Creative Big Debt for the period between 1 January 2024 to the Latest Practicable Date in the approximate sum of HK\$1,908,219 will be settled by the Company within 12 months from the date of the completion of the Creative Big Loan Capitalisation Agreement or any other date agreed by both parties in writing.
- 23 The successful negotiations leading to the entering into of the Creative Big Loan Capitalisation Agreement also facilitated the withdrawal of the Hong Kong Petition described in paragraphs 16 and 17 above.
- 24 On 14 June 2024, the Company and Quantum entered into a subscription agreement (the ***Quantum Loan Capitalisation Agreement*** and together with the IAM Loan Capitalisation Agreement and the Creative Big Loan Capitalisation Agreement, the ***Loan Capitalisation Agreements***), whereby the Company would issue and Quantum would subscribe for 150,000,000 shares of the Company at HK\$0.1 per share upon the successful capital reorganisation of the Company. The subscription price of the shares will be satisfied by offsetting the terms under the principal of the Quantum Debt. A further term of the Quantum Loan Capitalisation Agreement is that the payment date under the Quantum Debt will be deferred to the completion date after the shares have been issued. The interest of HK\$461,644 accrued up to the Latest Practicable Date and the interest to be accrued after the completion of the Quantum Loan Capitalisation Agreement will be settled by the Company on a date to be agreed between the Company and Quantum.
- 25 Upon the entering of the Loan Capitalisation Agreements, the repayment dates under each of the debts thereunder, representing a significant portion of the Company's indebtedness, have been deferred to a date after the successful reorganisation of the Company. For this reason, the

Company is currently cash flow solvent and upon the successful capital reorganisation, will be in a stronger financial position to pay off the remaining debt and eventually become balance sheet solvent as well.

CAPITAL REDUCTION

The Articles – Power to reduce the Company’s share capital

26 Article 63(b) of the Articles provides as follows:

“The Company may from time to time by special resolution, subject to any confirmation or consent required by the Act, reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by law.”

The EGM

27 On 8 August 2024, the Company held an extraordinary general meeting of the Company’s shareholders (**EGM**).

28 At the EGM, the following special resolution was duly passed in accordance with the Articles and Section 60 of the Act (the **Special Resolution**):

*“It was **RESOLVED***

That subject to and conditional upon (i) an order being made by the Grand Court of the Cayman Islands (the “Cayman Court”) confirming the Capital Reduction (as defined below); (ii) compliance with any conditions which the Cayman Court may impose for the Capital Reduction to be effective; (iii) the registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Cayman Court sanctioning the Capital Reduction and the Share Sub-division (as defined below) (collectively, the “Capital Reorganisation”) and the minute approved by the Cayman Court containing the particulars required under the Companies Act of the Cayman Islands, as consolidated and revised, with respect to the Capital Reorganisation; and (iv) the Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new Ordinary Shares (as defined below) arising from the Capital

Reorganisation, with effect from the date on which the aforesaid conditions are fulfilled (the "Effective Date"):

(a) the reduction of the issued share capital of the Company by reducing the par value of each existing ordinary share of the Company (the "Ordinary Share(s)") from HK\$0.3125 to HK\$0.0125 by cancelling the paid up share capital to the extent of HK\$0.3 per Share (the "Capital Reduction") on the Effective Date so that following the Capital Reduction each Share with a par value of HK\$0.3125 shall be treated as one fully paid-up ordinary share with a par value of HK\$0.0125 in the share capital of the Company and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued share capital thereby cancelled be made available for issue of new shares of the Company;

(b) the total credit arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective;

(c) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Ordinary Shares with par value of HK\$0.3125 each be subdivided into 25 authorised but unissued new Ordinary Shares with par value of HK\$0.0125 each (the "New Share(s)") (the "Share Sub-division");

(d) each of the New Shares arising from the Capital Reduction and Share Sub-division will rank pari passu in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company; and

(e) any one or more of the directors of the Company (the "Directors") be and is/are hereby authorised severally to do all such acts and things and execute and deliver all such documents, which are ancillary to the Capital Reorganisation, on behalf of the Company, including under seal where applicable, as they may consider

necessary or expedient to give effect to, implement and complete the Capital Reorganisation.”

- 29 Together, the Capital Reduction and the Share Sub-division are steps involved in the proposed capital reorganisation of the Company (the **Capital Reorganisation**).

The Effect of the Capital Reorganisation

- 30 On the effective date of the Capital Reduction, the authorised share capital of the Company will be HK\$200,000,000 divided into 16,000,000,000 shares of nominal value of HK\$0.0125 each (the **New Shares**), of which 183,693,055 New Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will be HK\$2,296,163.

- 31 Based on the 183,693,055 existing shares of the Company in issue as at the date of this Petition, a credit of HK\$55,108,000 (equivalent to approximately US\$7,065,000) will arise as a result of the Capital Reduction (the **Capital Reduction Credit**).

- 32 The Capital Reduction Credit will be applied towards setting off the Company's accumulated losses of approximately HK\$55,108,000 (equivalent to approximately US\$7,065,000) (the **Accumulated Losses**) upon the Capital Reorganisation becoming effective.

- 33 Save for the application of the Capital Reduction Credit towards offsetting the Accumulated Losses, the Capital Reduction will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders. It is only the structure of the share capital which will change. The interest of the Shareholders, and in particular the net asset-backing of their shares, will not be adversely impacted by the Capital Reduction, and the Company undertakes not to declare a dividend to Shareholders as a result of the Capital Reduction.

The Reasons for the Capital Reorganisation

- 34 The Capital Reduction Credit will wholly set off the Accumulated Losses based on the annual report of the Company for the year ended 30 June 2023.

- 35 The Capital Reorganisation is part of a wider restructuring of the Accumulated Losses, CB I Debt, CB II Debt and the Quantum Debt, which will consist of the following steps:

- (a) the Capital Reduction Credit in the sum of HK\$55,108,000 will be used to wholly set off the Accumulated Losses of approximately HK\$55,108,000;
 - (b) the Company to issue:
 - (i) 300,000,000 shares to IAM at HK\$0.1 per share, which will be satisfied by offsetting HK\$30,000,000 of the debt owed to IAM under CB I;
 - (ii) 932,541,460 CPSs to IAM at HK\$0.1 per share, which will be satisfied by offsetting the balance of the debt of HK\$93,254,146 owed to IAM under CB I;
 - (iii) 547,609,590 CPSs to Creative Big at HK\$0.1 per share, which will be satisfied by offsetting of the sum of HK\$54,760,959 owed to Creative Big under CB II; and
 - (iv) 150,000,000 shares to Quantum at HK\$0.1 per share, which will be satisfied by offsetting the entirety of the Quantum Debt.
- 36 The Company has obtained support of the Capital Reorganisation from the major creditors, being IAM, Creative Big and Quantum, which account for approximately 80% of the Company's indebtedness.
- 37 Upon the effective date of the Capital Reorganisation, the Company envisages that it will have net liabilities of approximately HK\$7,000,000 (as compared to its original liabilities of HK\$228,739,000 as at 31 December 2023).
- 38 Although the Company remains balance sheet insolvent after the Capital Reorganisation, the Capital Reorganisation will enable the Company to significantly reduce its indebtedness by discharging all of the Company's major liabilities that would otherwise have been due and payable. The Company's remaining debts are not currently due and payable, and the Company is confident that its strengthened financial condition will allow it to be in a better position to repay its remaining debts as they fall due, allowing the Company to eventually return to both cash flow and balance sheet solvency.
- 39 Under the Act, the Company is restricted in its ability to issue shares at a price lower than the par value. The Capital Reorganisation will reduce the nominal value of the Shares, which will provide the Company with greater flexibility to accommodate the issue of further New Shares in the future

when necessary. Although the Company currently has no intention and/or plans to issue further New Shares, the flexibility arising as a result of the Capital Reorganisation will enable the Company to implement any future fund-raising exercise swiftly, without the need to undertake steps to reduce the nominal value which will delay any potential timetable to raise funds.

40 The Capital Reduction is for a discernible purpose.

41 The Capital Reduction does not involve either the diminution of any liability in respect of unpaid share capital or the payment to any shareholder of any paid-up share capital.

Proposed form of minute

42 The form of minute to be registered with the Registrar of Companies is as follows:

*“The issued share capital of Sinopharm Tech Holdings Limited (the **Company**) was by virtue of a special resolution of the Company dated 8 August 2024 and with the confirmation of an order of the Grand Court of the Cayman Islands dated [•] reduced from HK\$57,404,080 divided into 183,693,055 shares of par value HK\$0.3125 each to HK\$2,296,163 divided into 183,693,055 shares of HK\$0.0125 each. Upon such reduction of capital taking effect, the Company’s authorised ordinary share capital will be increased from HK\$200,000,000 divided into 640,000,000 shares of HK\$0.3125 each to HK\$200,000,000 divided into 16,000,000,000 shares of HK\$0.0125 each.”*

43 It is appropriate for the Court to confirm the Capital Reduction.

Your Petitioner therefore humbly prays that:

1. The Capital Reduction which is to be effected by the special resolution set out at paragraph 27 above be confirmed and the form of minute set out at paragraph 41 above be approved by the court.
2. All necessary inquiries may be made and directions may be given.
3. Such further or other orders as the Court thinks fit.

Dated this 10th day of September 2024



Harney Westwood & Riegels

Attorneys-at-Law for and on behalf of the Petitioner

NOTE: This Petition is not intended to be served.

THIS PETITION was presented by Harney Westwood & Riegels, Attorneys-at-Law for the Company, whose address for service is 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands (**Ref:** 061980.0002-BPH).

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman, Cayman Islands on the 23rd day of October 2024 at 10:00 am/~~pm~~.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, George Town, Grand Cayman KY1-1106, Cayman Islands; Tel: 3459494296.