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Sinco Pharmaceuticals Holdings Limited

兴科蓉医药控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 6833)

LETTER OF INTENT IN RELATION TO A POTENTIAL ACQUISITION

LETTER OF INTENT

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 20 January 2022, the Purchaser (being the Company or a designated subsidiary of the Company), the Vendors (being Independent Third Parties) and the Target Entity (being an Independent Third Party) entered into the LOI in relation to the Potential Acquisition.

GENERAL

The Potential Acquisition, if materialised, may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Potential Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

The Board wishes to emphasize that the subject matter of the LOI is not legally binding and the Potential Acquisition may or may not proceed. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company is pleased to announce that on 20 January 2022 (after trading hours), the Purchaser, the Vendors and the Target Entity entered into the LOI in relation to the Potential Acquisition.

THE LETTER OF INTENT

The principal terms of the LOI are as follows:

Date

20 January 2022

Parties

- (1) the Company, as prospective purchaser;
- (2) the Vendors, as prospective vendors; and
- (3) Deyang Demei, as the Target Entity.

Subject Matter

Pursuant to the LOI, the Company intends to acquire, and the Vendors intend to sell the Target Equity Interests of the Target Entity upon completing the Restructuring.

The definitive consideration for the Potential Acquisition shall be determined by the parties to the LOI upon arm's length negotiation with reference to (1) the outcome of the due diligence on the Target Entity and (2) the valuation appraised by an independent valuer, if needed, and shall be stipulated in the legally-binding transaction documents afterwards.

Refundable Deposit

Pursuant to the LOI,

- (i) after entering into the LOI, the Company or its designated subsidiary shall pay the Vendors a Refundable Deposit of an aggregate amount of RMB3 million;
- (ii) if the Potential Acquisition is not to be materialised within twelve (12) months from the date of entering into the LOI for reasons not caused by the Company, the Vendors shall return the Refundable Deposit in full (without interest) according to the original payment route within ten (10) business days from the day of receipt of the Company's written notice;
- (iii) if the legally binding transaction documents are signed and delivered, the Vendors shall return the Refundable Deposit in full (without interest) according to the original payment route within one (1) business day from the day the Company or its designated subsidiary makes payment of consideration for the initial closing or the Refundable Deposit in full (without interest) shall be set off during aforementioned initial closing payment; and

- (iv) the Vendors agree to be jointly and severally liable for returning the Refundable Deposit stated above.

Exclusivity and Termination

During the Exclusivity Period, the Vendors shall not and shall procure the Target Entity not to solicit or otherwise accept, directly or indirectly, through any affiliate company, shareholder, senior management, director, employee, agent, intermediary consultant, an expression of intent, agreement or offer from any third party or entity concerning the Target Entity for the purchase, merger, partnership or other similar transaction of equity or assets of the Target Entity; nor shall expressions of intent, agreements or offers be initiated, encouraged, negotiated or discussed; any such discussions shall cease immediately. If a third party makes any such proposal after the date of the LOI, the Vendors shall immediately notify the Company. If the Company and the Vendors have not reached an equity acquisition framework agreement before the expiry of the Exclusivity Period and relevant negotiations are still ongoing, the Exclusivity Period will be automatically extended for three (3) months and then be terminated.

If the Company is not satisfied with the due diligence results of the Target Entity, the Company is entitled to terminate the LOI by unilaterally serving a written notice and demand for the return of the Refundable Deposit in accordance with the LOI.

Non-legally Binding

Save for the provisions on, among other things, Refundable Deposit, confidentiality and exclusivity and termination, the LOI does not constitute a legally binding agreement among the Company, the Vendors and the Target Entity.

INFORMATION ON THE TARGET COMPANY AND THE VENDORS

The Target Entity is a general partnership established under the law of the PRC whose principal business is the provision of aesthetic medical services.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, the Target Entity is beneficially owned by Jiang Biao* (蔣彪), Jiang Min* (蔣敏) and Jiang Jun* (蔣君) as to 52%, 24% and 24%, respectively, and each of the Vendors and Target Entity is an Independent Third Party.

INFORMATION ON THE COMPANY AND THE GROUP

The Group is principally engaged in the provision of comprehensive marketing, promotion and channel management service for imported pharmaceutical products in the PRC. The Company is an exempted company incorporated in the Cayman Islands with limited liability and the principal business activity of which being investment holding.

REASONS AND BENEFITS OF THE POTENTIAL ACQUISITION

As disclosed in the Company's announcements dated 9 September 2021 and 6 January 2022, leveraging the Group's expertise and experience in the provision of imported pharmaceutical products, the Group intends to develop its medical aesthetic industry chain and gradually establish the dual business segments of pharmaceutical products and medical aesthetic products as its business development direction. As such, the Company has commenced the Technological Development Project (as defined in the Company's announcement dated 9 September 2021 with details of which disclosed therein) and its smart medical aesthetic industrial part project in Chengdu (further information is disclosed in the Company's announcement dated 6 January 2022).

Against this backdrop, the Directors believe that, should the Potential Acquisition be materialised, (i) the Group could capitalise on the medical professionals, equipments and facilities of the Target Entity as well as its network in the medical aesthetic industry, which could facilitate the research and development works of the Technological Development Project; (ii) the Group will expand its presence and have direct access to the downstream end of the medical aesthetic industry, which could be beneficially for the Group to build up its brand name in the industry, to obtain more comprehensive market information and to have a direct and better understanding of the customers' requirements in medical aesthetic products and services; and (iii) the Target Entity and its network could bring synergy effect to the marketing and sales of the Group's pharmaceutical products and medical aesthetic products at a later stage.

In view of the above, the Directors (including the independent non-executive Directors) consider that the LOI are on normal commercial terms and the terms thereof are fair and reasonable and the Potential Acquisition contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Board”	the board of directors of the Company
“business day(s)”	a day other than Saturday, Sunday or any day on which banks in Beijing or Hong Kong are closed for normal banking business
“Company”	Sinco Pharmaceuticals Holdings Limited (兴科蓉医药控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6833)
“connected person(s)”	has the meaning set out in the Listing Rules

“Deyang Demei” or “Target Entity”	Deyang Demei Medical Aesthetic Clinic (General Partnership)* (德陽德美醫療美容門診部(普通合夥)), a general partnership established under the law of the PRC, an Independent Third Party
“Directors”	the directors of the Company from time to time
“Exclusivity Period”	the period of twelve (12) months from the date of entering into the LOI
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and the connected persons of the Company and is not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	the letter of intent dated 20 January 2022 entered into between the Company, the Target Entity and the Vendors in relation to the Potential Acquisition, which is non-legally binding except clauses relating to, inter alia, Refundable Deposit, confidentiality and exclusivity and termination
“Potential Acquisition”	the potential acquisition of the Target Equity Interests by the Purchaser as contemplated under the LOI
“PRC”	the People’s Republic of China
“Purchaser”	the Company or its designated affiliate
“Refundable Deposit”	a refundable deposit of an aggregate amount of RMB3 million that may be refunded by the Vendors in accordance with the LOI
“Restructuring”	restructuring and conversion of the Target Entity as agreed by the Purchaser, the Vendors and the Target Entity
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the issued Shares of the Company that are listed on the Main Board of the Stock Exchange (stock code: 6833)
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity Interests”	the majority equity interests in the target after the Target Entity completes Restructuring
“Vendors”	all beneficial owners of the Target Entity, being Jiang Biao* (蔣彪), Jiang Min* (蔣敏) and Jiang Jun* (蔣君), and each of them is an Independent Third Party
“%”	per cent

By order of the Board
Sinco Pharmaceuticals Holdings Limited
Huang Xiangbin
Chairman and Executive Director

Sichuan, the PRC, 20 January 2022

As at the date of this announcement, the executive Director is Mr. Huang Xiangbin; and the independent non-executive Directors are Mr. Lau Ying Kit, Mr. Wang Qing, Mr. Liu Wenfang and Mr. Bai Zhizhong.

* *For identification purpose only*