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## **Sinco Pharmaceuticals Holdings Limited**

**兴科蓉医药控股有限公司**

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

**(Stock Code: 6833)**

### **INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING**

**Financial Adviser**



**Diligent Capital Limited**

This announcement is made by Sinco Pharmaceuticals Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 26 September 2022 and 30 September 2022 in relation to the Incident (the “**Announcements**”). Unless the context requires otherwise, the capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

#### **LETTER FROM EY**

The Board would like to provide further details of the Incident covered in the Letter from EY:

1. In the course of conducting its review of the interim results, EY obtained documents from the management of the Company (“**Management**”), being:
  - (i) an agreement dated 5 January 2022, which was entered into between Sichuan Sinco Pharmaceutical Co., Ltd (“**Sinco Sichuan**”), being an indirect wholly-owned subsidiary of the Company and one of its vendors (“**Vendor**”), pursuant to which Sinco Sichuan was required to transfer a sum equivalent to US\$13 million to the Vendor further to a distribution agreement between the Vendor and Sinco Sichuan.

- (ii) a letter dated 5 January 2022 (“**Payment Instruction Letter**”), which was sent by the Vendor to Sinco Sichuan, instructing Sinco Sichuan to transfer payments to the three payees with bank account details set out therein in the amounts set out below:

	<b>Payee</b>	<b>Amount</b>
1	Payee A	HK\$24,000,000
2	Payee B	HK\$22,800,000
3	Payee C	US\$7,000,000

- (iii) an authorization letter dated 15 February 2022 and signed by the Vendor, pursuant to which the Vendor granted distribution rights to Sinco Sichuan;

- (iv) an authorization letter dated 15 February 2022 and signed by the Vendor, pursuant to which the Vendor granted distribution rights to Hong Kong Prosperous Group Holding Limited, being an indirect wholly-owned subsidiary of the Company.

- EY also obtained relevant payment vouchers from the Management, showing the payments made in January 2022 (“**Payments**”) had been executed in accordance with the Payment Instruction Letter.
- In order to verify the authenticity of the Payments, EY requested that confirmation be obtained from the Vendor, but confirmation had not been arranged as at the date of the Letter from EY. Therefore, EY decided to conduct a background check on the account holders of the Payments as its alternate procedure.
- On 30 August 2022, EY communicated with the audit committee of the Company (“**Audit Committee**”) and stated that they would request an audit confirmation relating to the Payments (“**EY Confirmation Request**”).
- On 31 August 2022, a meeting of the Audit Committee was convened to review the interim results. Three representatives of EY attended the meeting and raised the EY Confirmation Request during the meeting. EY did not mention about the Incident and did not propose or recommend that the EY Confirmation Request were issues to be disclosed in the interim results.
- The Letter from EY dated 15 September 2022 alleges that on 1 September 2022, during a meeting with Mr. Huang Xiangbin, the chairman of the Company, and Mr. Li Yifan (“**Mr. Li**”), the Chief Financial Officer of the Company, EY was informed that:
  - The abovementioned staff of Sinco Sichuan is a shareholder of Payee C (“**Shareholder Finding**”);
  - HK\$46.8 million of the Payments was transferred for the marketing related fee of the Group; and

(iii) US\$7 million of the Payments was used to subsidize the subscription price of the places in relation to the Company's placing that was completed on 3 January 2022.

(sub-paragraph (ii) and (iii) of this paragraph being the "Alleged Uses")

7. Based on the result of the abovementioned background check, EY noticed that the name of a shareholder of Payee C is the same as that of a staff of Sinco Sichuan.
8. Based on the aforementioned findings, EY was of the view that the Company and its audit committee should engage a Forensic Accountant to conduct an independent investigation over the Shareholder Finding and Alleged Uses. EY also requested to be involved in the selection of the Forensic Accountant and to withhold its audit work for the year ending 31 December 2022 pending result of the said investigation.
9. Regarding the Alleged Uses, the Board has enquired with each of the Directors and Mr. Li, and was advised that:
  - (i) Each of the Directors and Mr. Li had no knowledge of the Alleged Uses of HK\$46.8 million of the Payments and US\$7 million of the Payments as alleged in the Letter from EY until being advised by EY; and
  - (ii) Each of the Directors and Mr. Li were not involved in the Alleged Uses of HK\$46.8 million of the Payments and US\$7 million of the Payments as alleged in the Letter from EY.
10. The Company understands and confirms that the abovementioned staff of Sinco Sichuan is a shareholder of Payee C.

## **SUBSEQUENT ACTIONS TAKEN BY THE COMPANY**

As disclosed in the Announcements, the Board had, on 17 September 2022, resolved to establish the Independent Committee to review and investigate the Incident, which initially comprised of four independent non-executive Directors, namely Mr. Lau Ying Kit, Mr. Wang Qing, Mr. Liu Wenfang and Mr. Bai Zhizhong.

On 20 September 2022, the Independent Committee appointed Diligent Capital Limited as its financial advisor and C&T Legal LLP as its legal advisor to assist in the investigation.

After conducting a preliminary assessment of the situation, the Independent Committee, having considered the nature of the Incident and the personnel involved, is of the view that the current information and evidence available to the Management is insufficient. The Independent Committee, therefore, adopts a prudent approach by not prematurely drawing any conclusion towards the Incident before a proper investigation of the Incident with the assistance of an external forensic accountant is conducted. Meanwhile, the Independent Committee and the Board will collect all relevant information to assess the impact of the Incident on the Company.

To fully cooperate with EY, the Legal Advisor sent two letters to EY on 23 September 2022 and 29 September 2022, informing it of the following:

- (i) the Independent Committee was established on 17 September 2022 to investigate the Incident;
- (ii) the Relevant Sum had already been recovered; and
- (iii) the Independent Committee agreed to engage a Forensic Accountant to investigate and review the nature, details and personnel in relation to the Incident.

The Independent Committee is in the process of selecting a Forensic Accountant and will engage a competent one in due course to assist its investigation. The Company will inform its shareholders and investors of the progress and result of the investigation as and when appropriate.

The Company is not aware of any other inside information and/or any relevant information which it is required to draw the market's attention.

#### **RESUMPTION OF DEALINGS IN THE SHARES OF THE COMPANY**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on Thursday, 6 October 2022 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 25 October 2022.

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

Sichuan, the PRC, 24 October 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.*