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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SECRET NEEDLE TECHNOLOGICAL DEVELOPMENT AGREEMENTS

THE SECRET NEEDLE TECHNOLOGICAL DEVELOPMENT AGREEMENTS

The Board announces that on 7 November 2022 (after trading hours), Sichuan Sinco entered into the Secret Needle Technological Development Agreements with Beijing Nuokangda to cooperate in the research and development of the secret needle and the secret needle polycaprolactone filling material for the Company at a Consideration of RMB53,000,000.

The Directors believe that such transactions under the Secret Needle Technological Development Agreements could serve as a foundation for the Group to develop its expertise and resources in the establishment of its independent research and development center to develop, produce and sell medical aesthetic products gradually. Also, the Group's well-established pharmaceutical marketing channels will bring synergy effect to the promotion of such new medical aesthetic products, which could enable the Group to achieve revenue growth in the long run.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Secret Needle Technological Development Agreements exceeds 5% but is less than 25%, the Secret Needle Technological Development Agreements thereunder constitute disclosable transactions of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 7 November 2022 (after trading hours), Sichuan Sinco entered into the Secret Needle Technological Development Agreements with Beijing Nuokangda to cooperate in the research and development of the secret needle and the secret needle polycaprolactone filling material for the Company at a Consideration of RMB53,000,000. It is anticipated that the Secret Needle Technological Development Agreements will be completed within 5 years.

THE SECRET NEEDLE TECHNOLOGICAL DEVELOPMENT AGREEMENTS

	The Secret Needle Technological Development Agreements	
	The agreement in relation to the secret needle (1 year type) technology development	The agreement in relation to the technology development of secret needle polycaprolactone filling material (molecular weight 20,000)
Date	7 November 2022	7 November 2022
Parties	(i) Sichuan Sinco; and (ii) Beijing Nuokangda	(i) Sichuan Sinco; and (ii) Beijing Nuokangda
Term	From 7 November 2022 to 6 November 2027	From 7 November 2022 to 6 November 2027
Scope of Service	Beijing Nuokanda is responsible for providing technology development services to Sichuan Sinco for the research and development of secret needle (1 year type)	Beijing Nuokanda is responsible for providing technology development services to Sichuan Sinco for the research and development of secret needle polycaprolactone filling material (molecular weight 20,000)
	Beijing Nuokangda shall be responsible for any failure or partial failure of the Secret Needle Technological Development Agreements due to the insurmountable technical difficulties and conditions. Beijing Nuokangda shall promptly notify Sichuan Sinco and use its best efforts to take appropriate and effective measures to mitigate the loss and compensate Sichuan Sinco for the equivalent amount of payment paid by Sichuan Sinco in accordance with the terms and conditions of the Secret Needle Technological Development Agreements.	
Consideration	RMB47,000,000 (comprising research and development fees for equipment of RMB22,000,000 and clinical research fees of RMB25,000,000)	RMB6,000,000 as research and development fees

<p>Basis of the Consideration</p>	<p>The Consideration was determined after arm’s length negotiations between the parties on normal commercial terms based on, among others, the historical research fundings of Beijing Nuokangda for the development of the secret needle, the research and development costs required for and the technological difficulty of secret needle and the analysis of its future potential. The Consideration will be financed by the internal resources of the Group.</p>	<p>The Consideration was determined after arm’s length negotiations between the parties on normal commercial terms based on, among others, the historical research fundings of Beijing Nuokangda for the development of the secret needle poly caprolactone filling material, the research and development costs required for and the technological difficulty of secret needle and the analysis of its future potential. The Consideration will be financed by the internal resources of the Group.</p>
<p>Payment</p>	<p>The consideration shall be paid in the following manner:</p> <p>According to the development progress of Beijing Nuokangda and subject to the quality inspection satisfactory to Sichuan Sinco, (i) research and development fees for equipment of RMB22,000,000 to be paid in six installments; and (ii) clinical research fees of RMB25,000,000 to be paid in five installments.</p> <p>The payment schedule will be adjusted in accordance with the actual research and development progress.</p>	<p>The consideration shall be paid in the following manner:</p> <p>According to the development progress of Beijing Nuokangda and subject to the quality inspection satisfactory to Sichuan Sinco, research and development costs of RMB6,000,000 to be paid in seven installments.</p> <p>The payment schedule will be adjusted in accordance with the actual research and development progress.</p>
<p>Intellectual Property</p>	<p>The intellectual property rights formed based on the Secret Needle Technological Development Agreements and the intellectual property rights and technical secrets summarized and acquired during the performance of the Secret Needle Technological Development Agreements shall be owned by Sichuan Sinco.</p>	

<p>Termination Clause</p>	<p>Sichuan Sinco is entitled to terminate this agreement in any one of the following circumstances:</p> <ol style="list-style-type: none"> (1) Beijing Nuokangda’s actions cause the completion of each time node’s work plan and work results to be delayed by more than six months; (2) termination of this agreement due to force majeure; (3) the technology that is the subject of research and development has been disclosed by others; (4) Sichuan Sinco may unilaterally propose the termination of this agreement, and upon the issuance of the notice of termination, the Secret Needle Technological Development Agreements will be automatically terminated; and (5) information under the Secret Needle Technological Development Agreements leaked by Beijing Nuokangda, Beijing Nuokangda’s related companies, and Beijing Nuokangda’s relevant employees. <p>Beijing Nuokangda is entitled to terminate this agreement in any one of the following circumstances:</p> <ol style="list-style-type: none"> (1) Sichuan Sinco’s actions cause the payment at each time node to be delayed by more than six months; and (2) termination of this agreement due to force majeure.
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INFORMATION OF THE PARTIES

The Group is principally engaged in the provision of 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.

Sichuan Sinco is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Group. It is principally engaged in the provision of the marketing, promotion and channel management service for imported pharmaceutical products in the PRC as well as research and development of new pharmaceutical products and technological development of biotechnology products.

Beijing Nuokangda is a company established in the PRC with limited liability whose principal business is the provision of research and development services of pharmaceutical products. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Beijing Nuokangda and its ultimate beneficial owner(s) are third parties independent of the Company and the connected persons of the Company.

REASON FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENTS

Reference is made to the announcement of the Company dated 9 September 2021, Sichuan Sinco entered into the master cooperation agreement and the technological development agreements in relation to the development of polycaprolactone microsphere facial filler (commonly known as “girl needle” (少女針) in the industry) and its materials for injection with Beijing Nuokangda.

Polycaprolactone is a material with long-lasting regenerative filling effect. The Secret Needle is the second medical aesthetic product developed by the company based on polycaprolactone as the material base, which will be carried out in parallel with the research and development of the girl needles, so that the synergistic effect of research and development of polycaprolactone material and technology application can be realized. The Group's medical aesthetic product development strategy is to develop a variety of medical aesthetic products based on polycaprolactone, a biodegradable material, for various parts of the body, in order to enrich the Group's medical aesthetic product pipeline and provide the market with a rich range of medical aesthetic products.

The Directors believe that such transactions under the Secret Needle Technological Development Agreements could serve as a foundation for the Group to develop its expertise and resources in the establishment of its independent research and development center to develop, produce and sell medical aesthetic products gradually. Also, the Group's well-established pharmaceutical marketing channels will bring synergy effect to the promotion of such new medical aesthetic products, which could enable the Group to achieve revenue growth in the long run.

In view of the above, the Board believes that the Secret Needle Technological Development Agreements are on normal commercial terms and the terms thereof are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Secret Needle Technological Development Agreements exceeds 5% but is less than 25%, the Secret Needle Technological Development Agreements thereunder constitute disclosable transactions of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITION

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

“Beijing Nuokangda”	Beijing Nuokangda Pharmaceutical Technology Co., Ltd. (北京諾康達醫藥科技股份有限公司), a company incorporated under the laws of the PRC
“Board”	the board of Directors
“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)
“Consideration”	the aggregate consideration payable to Beijing Nuokangda at the amount of RMB53,000,000 in relation to the Secret Needle Technological Development Agreements
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Secret Needle Technological Development Agreements”	(i) the agreement in relation to the secret needle (1 year type) technology development dated 7 November 2022 which are entered into between Sichuan Sinco and Beijing Nuokangda; and (ii) the agreement in relation to the technology development of secret needle polycaprolactone filling material (molecular weight 20,000) dated 7 November 2022 which are entered into between Sichuan Sinco and Beijing Nuokangda
“Shares”	ordinary share(s) with a nominal value of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Sichuan Sinco” Sichuan Sinco Pharmaceuticals Co., Ltd. (四川興科蓉藥業
有限責任公司), an indirect wholly-owned subsidiary of the
Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Sichuan, the PRC, 7 November 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.