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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)

UPDATE ON THE INCIDENT

Financial Advisor



Diligent Capital Limited

Reference is made to the announcements of the Company dated 26 September 2022, 30 September 2022, 24 October 2022, 8 December 2022, 13 December 2022, 4 January 2023 and 21 March 2023 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.

UPDATE ON THE SPECIFIC AUDIT PROCEDURES ON THE INCIDENT

In relation to the Incident and the audit issues raised by EY therefrom (the “**Audit Issues**”), CL Partners advised that they have accordingly taken detailed audit procedures as follows:

1. evaluated the Forensic Accountant’s competence, capabilities and objectivity;
2. involved in the discussion with the Forensic Accountant on (i) the scope of the Forensic Investigation, (ii) the process of the Forensic Investigation, and (iii) the result of the Forensic Investigation;
3. understood and assessed the internal control policy regarding the internal payment approval process, procurement process, treasury and investment process and financial reporting and disclosure process;
4. performed data analysis and document review, including reviewing relevant contracts and agreements to check the relevant key terms, and the relevant payments and receipts relating to the Audit Issues;
5. increased the extent of the audit work by increasing number of samples of audit confirmation and audit inspection, and assessing the nature and timing of the audit work throughout the current year regarding the related areas, including prepayments, other receivables and other assets and material purchases and payments of the Group;

6. conducted independent background check and company search on relevant key personnel and relevant parties in relation to the Payments (including the Payees), to understand background of such personnel/parties, and their relationship with the Company (the scope is the same as the search scope conducted by the Forensic Accountant in the Forensic Investigation Report);
7. conducted interviews with relevant parties relating to the Audit Issues including the Company's directors, relevant management, staff in the legal department, and/or finance/accounting staff to obtain an understanding of (i) the details of the relevant payments, parties that may be involved, any other relevant information and records; (ii) whether the approval procedures of the relevant payments, including the approval of the contracts and payment process, are in compliance with the Company's authorisation requirements; and (iii) whether appropriate segregation of duties and security precautions have been applied during the process for the approval of the contracts and payments; and
8. had meetings with the Independent Committee, the Company's financial advisor and the Company's legal advisor and discussed with them on the Audit Issues and the results of the Forensic Investigation.

VIEWS OF CL PARTNERS, THE COMPANY AND THE AUDIT COMMITTEE

After considering:

- (i) that the detailed audit procedures set out above have already been performed above by CL Partners and they have identified no other findings which has material effect on the Group's financial statements for the year ended 31 December 2022 other than the Incident;
- (ii) that the relevant sum of approximately HK\$100 million related to the Incident had been recovered;
- (iii) that draft Forensic Investigation Report found that the Incident was conducted by Mr. Li Yejia through forging the Forged Distribution Agreement and the Forged Payment Instruction Letter by taking advantage of the internal control deficiencies of the Group; and
- (iv) that the Independent Committee has engaged an internal control consultant to review the internal control system of the Group taking the recommendations from the Forensic Accountant,

CL Partners, the Company and the Company's audit committee are satisfied that the Audit Issues have been fully addressed.

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

Sichuan, the PRC, 18 May 2023

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