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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)

THE SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE CONNECTED TRANSACTION RELATING TO THE PROVISION OF FINANCIAL ASSISTANCE TO THE CONNECTED PERSON

Reference is made to the announcement issued by Sinco Pharmaceutical Holdings Limited (the “**Company**”) dated 30 May 2025 (the “**Announcement**”) regarding the provision of an interest-free loan with a principal amount of HK\$5 million, which was provided to Mr. Huang Xiangbin on 1 March 2021. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

THE SUPPLEMENTAL INFORMATION

The Directors would like to provide additional information regarding the Loan.

1. Sequence of events leading to the approval of the Loan

The Directors would like to announce that the need for the Loan arose at the end of February 2021, coinciding with the repeated mandatory lockdowns in Hong Kong due to the widespread COVID-19 pandemic. As a result, the Company faced operational instability, necessitating the adoption of a flexible working arrangement. The Loan application was submitted by the assistant to Mr. Huang at that time. The application received streamlined approval from Mr. Li Yifan (“**Mr. Li**”), the chief financial officer of the Company, and Mr. Jin Min (“**Mr. Jin**”), the chief executive officer of the Company, before the disbursement of the funds on 1 March 2021.

2. Assessment conducted by Mr. Li and Mr. Jin for the provision of the Loan

During the approval process for the Loan, Mr. Li and Mr. Jin assessed several key factors. These included: (i) the small size of the Loan in relation to the applicable ratios under the Listing Rules; (ii) Mr. Huang's ongoing commitment to providing guarantee support for the Group's bank borrowings; (iii) Mr. Huang's financial background and ability to repay the Loan; (iv) Mr. Huang's creditworthiness; and (v) the short-term nature of the Loan. After thoroughly considering these aspects, Mr. Li and Mr. Jin determined that the terms of the Loan were justified and approved the Loan.

3. Identification of the Loan by the Board

The Directors would like to highlight that the Loan was identified during a regular review of relevant documents and records, including bank statements.

The Directors wish to clarify that lending money is not an ordinary course of the Group's business operations, and loans to connected persons by the Company are infrequent. To determine if any transactions similar to the Loan have occurred, the Company's management conducted a comprehensive review of all payment records for the Directors and senior executives from 2020 to 2024. The findings indicate that, apart from the Loan, there are no other records of borrowing.

Based on the findings presented above, the independent non-executive Directors have undertaken the following actions:

- (i) engaged in discussions with the Company's management to gain a comprehensive understanding of the review process. This process included a thorough examination of all payments related to connected persons, including all Directors and management executives. It has been concluded that there are no other records of borrowing, other than those related to the Loan;
- (ii) conducted a review of the auditor reports during the period from 2020 to 2024 to confirm their alignment with the management's findings; and
- (iii) requested the Consultants (as defined and explained in the paragraphs below) to report if any similar transactions were discovered during their review process.

The Board (including the independent non-executive Directors) has not identified any additional payments or irregularities involving the Company's connected persons. Therefore, it is concluded that there have been no transactions similar to the Loan from the financial years 2020 to 2024.

4. Breach of the applicable Listing Rules and the Articles

The Board, including the independent non-executive Directors, conducted a comprehensive evaluation of several key factors considered by Mr. Li and Mr. Jin as mentioned above. It is concluded that the provision of the Loan was justifiable. However, the Board also determined that the Loan did not meet normal commercial terms when compared to offers from third parties. Therefore, the Loan did not qualify for exemption under Rule 14A.76 of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the provision of the Loan are above 0.1% but less than 5%, and since the total value of the financial assistance provided to Mr. Huang exceeds HK\$3 million, the transaction contemplated under the Loan Agreement was therefore subject to the reporting, announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules at the material time.

Apart from the above, in accordance with the Company's memorandum and articles of association (the "**Articles**"), except as would be permitted by the Companies Ordinance, and except as permitted under the Companies Act, the Company shall not directly or indirectly make a loan to a Director or his close associates or a director of any holding company of the Company or a body corporate controlled by such a Director. As a result, the Directors acknowledged that providing the Loan breached the Articles (together with the breach of the applicable Listing Rules, collectively the "**Breaches**"), which required seeking shareholder approval for the resolutions at an extraordinary general meeting.

5. Reasons for the Breaches

After evaluations, the Directors would like to summarise the reasons for the Breaches as follows:

a) Streamlined approval process during the COVID-19 period

During the COVID-19 period, the streamlined approval process may have led to inadequate oversight. This situation warrants careful examination to ensure that appropriate measures are in place for effective governance.

b) Consultation challenges during the COVID-19 period

During the COVID-19 period, there was a significant lack of timely consultations with legal advisers. This communication gap hindered the Company's ability to navigate regulatory and compliance issues effectively. As a result, the Group's management did not promptly confirm their judgments and understanding with legal advisers when dealing with related-party transactions, which led to misunderstandings on their part.

c) *Misplaced priorities and threshold misinterpretation*

Mr. Li and Mr. Jin focused their attention on the Loan amount and its recoverability. However, this focus resulted in an oversight regarding the broader compliance obligations specified in the Company's internal controls in place to govern its connected transactions and compliance with Chapter 14A of the Listing Rules (the “**Internal Controls**”). Moreover, although the applicable ratio thresholds were evaluated when computing the size test, the HK\$3 million threshold was unfortunately overlooked, which ultimately led to a breach of the Listing Rules.

d) *Weakness in internal controls for the special period*

The existing internal controls may not have been sufficiently robust to address the operational changes experienced during the pandemic.

e) *Lack of post-event review*

The absence of a supervisory framework for reviewing significant dealings and related party transactions has led to delays in identifying non-compliance practices. Establishing such a framework is crucial to ensure accuracy and enhance the effectiveness of compliance management.

To address the issues mentioned above, the Company engaged Zhong Shen Zhong Huan Certified Public Accountants LLP* (中審眾環會計師事務所(特殊普通合伙)) and Forvis Mazars Risk Advisory Services Limited* (富睿瑪澤風險評估服務有限公司) as its internal control consultants (the “**Consultants**”). The Consultants will conduct a review of the Internal Controls (the “**IC Review**”), and the specifics of this review will be detailed in the following paragraphs. The IC Review is expected to be completed by the end of September 2025. After completing this IC Review, the Consultants will provide a comprehensive report. The Company is committed to implementing the Consultants' professional recommendations to effectively rectify the identified deficiencies in its internal control framework.

6. **Reasons for the delayed discovery of the Breaches**

The Directors would like to clarify that the belated discovery of the Breaches was primarily due to two main factors:

- (i) the Loan had no significant financial impact on the Group, which may have led to insufficient scrutiny from the Board. The Loan was for a short term of four months and was repaid before its maturity date, which occurred before the end of the interim period; and
- (ii) Mr. Li and Mr. Jin inadvertently overlooked the implications of Chapter 14A of the Listing Rules and misinterpreted the relevant Articles. While Mr. Li and Mr. Jin conducted the identification and approval process independently, without reporting to the Board, the Board was unable to identify the breach until a thorough review of the documents was conducted.

7. Remedial actions taken by the Board to address the Breaches

To address the Breaches, the Company engaged the Consultants to conduct the IC Review as outlined in the scope below:

- a) The corporate approach to monitoring regulatory compliance, including, but not limited to, (a) Chapter 13 of the Listing Rules, which addresses Continuing Obligations; (b) Chapter 14, pertaining to Notifiable Transactions; (c) Chapter 14A, which focuses on Connected Transactions; (d) Appendix C1 of the Corporate Governance Code; (e) Appendix C3 of the Model Code for Securities Transactions by Directors of Listed Companies; (f) the Companies Ordinance; and (g) Part XIVA of the Securities and Futures Ordinance. This will cover the following areas:*
- (i) policy and procedures on identifying and monitoring disclosure of notifiable transactions (Chapter 14 of the Listing Rules), connected transactions (Chapter 14A of the Listing Rules) and inside information;
 - (ii) process for monitoring and identifying circumstances that trigger the issuer's obligations including disclosure obligations as set out in Rules 13.12 to 13.19 of the Listing Rules, notifiable transactions, connected transactions, and inside information;
 - (iii) maintenance of a list of connected persons (including connected persons under Hong Kong Financial Reporting Standard 24 and Chapter 14A of the Listing Rules);
 - (iv) management procedures for handling relevant documents and records required by the Listing Rules;
 - (v) mechanisms, policies, and procedures for complying with the internal control provisions of the Listing Rules;
 - (vi) management procedures for complying with the Corporate Governance Code under Appendix C1 of the Listing Rules;
 - (vii) procedures of business registration, proper preparation and maintenance of agendas and minutes of shareholders meetings and board meetings, approval of audited account reports, etc. in accordance with the Companies Ordinance;
 - (viii) declaration and procedures for directors, senior management and employees to declare interests; and
 - (ix) review of the Articles to evaluate whether the Company has established relevant procedures in accordance with prescribed approval of members under Part 11, Division 2 of Companies Ordinance.

b) Treasury (including cash) management cycle. This will cover the following areas:

- (i) policy and procedures for treasury management;
- (ii) bank account deposit and withdrawal management;
- (iii) bank account opening and maintenance, bank authorization signature, and authorization person verification management;
- (iv) cash management, cash count, and bank reconciliation process;
- (v) authorization approval or internal reporting procedures for the use of funds and the issuance of checks;
- (vi) policy on borrowing to directors, employees, shareholders, related parties (if applicable), current accounts management, and approval and monitoring procedures for providing guarantee to third parties;
- (vii) supervision and reporting in respect of treasury activities; and
- (viii) segregation of duties over treasury (including cash) management process.

The Company is pleased to announce that the internal control and corporate governance committee of the Board (the “**Committee**”), comprised of all independent non-executive Directors, will oversee the IC Review process. This oversight aims to ensure a thorough understanding of the findings presented by the Consultants. If any additional areas require further examination, the Committee members will recommend expanding the scope of the IC Review.

The Consultants will present their findings from the IC Review to the Committee, which will then determine if the findings meet the necessary standards for presentation to the Board. The Board, in collaboration with the Consultants, will address any identified breaches and deficiencies in a prompt and effective manner.

In light of the above, the Directors are confident that the IC Review will enable the Company to effectively manage the Breaches and achieve compliance with the relevant Listing Rules and Articles.

The Company is committed to keeping its shareholders and potential investors informed, among other things (a) any significant updates or changes to the remedial actions mentioned in this announcement; (b) the relevant findings and recommendations, including proposed enhancements to the Company's processes and procedures, upon completion of the IC Review; and (c) the Board's confirmation regarding the adequacy and effectiveness of the enhanced internal controls and procedures once all remedial actions have been completed.

Saved as disclosed above, all other information as set out in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Sichuan, the PRC, 15 August 2025

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

* *for identification purposes*