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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)

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

References are made to the announcements issued by Sinco Pharmaceutical Holdings Limited (the “**Company**”) dated 30 May 2025 and 15 August 2025 in relation to, among other things, an interest-free loan of HK\$5 million provided to Mr. Huang Xiangbin on 1 March 2021 (collectively, the “**Announcements**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

KEY FINDINGS OF THE IC REVIEW

Background

To address the issues identified following the Breaches, the Company engaged the Consultants on 9 July 2025 to conduct the IC Review and make appropriate recommendations to the Board.

On 20 October 2025, the Consultants provided the internal control review report (the “**IC Report**”) to the Board and the Committee, which includes, among other things, the key findings of the IC Review, and the Consultants’ recommendations for addressing the deficiencies identified during the IC Review.

For the scope of work of the IC Review, please refer to the Company’s announcement dated 15 August 2025.

This announcement outlines the key findings of the IC Review.

Summary of key findings of the IC Review

The findings from the IC Review conducted by the Consultants, including their recommendations for improvement, and the corresponding responses from the Group's management, are presented as follows:

1. Corporate governance

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
1.1 Provision of the Loan to connected persons in breach of the Listing Rules	The Group has not complied with the reporting and announcement requirements under Chapter 14A of the Listing Rules regarding the provision of the Loan to Mr. Huang Xiangbin. Furthermore, the Group has not maintained written records for the calculation of the size test in relation to the Loan.	The risk of the Group violating the Listing Rules has not been minimized.	To safeguard the interests of the Group, the Consultants recommend that the Group shall designate personnel responsible for calculating the percentage ratio based on transaction amounts with connected parties, including calculating each amount separately and treating the cumulative amount of such transactions as a single transaction. The calculation results shall be recorded in writing and submitted to the designated responsible person for approval. Approved size test calculations shall be properly maintained by the designated responsible personnel for future review. If relevant connected transactions exceed the exempted percentage, the Group shall designate personnel to comply the requirements in accordance with Chapter 14A of the Listing Rules, including notify the Stock Exchange of all connected transactions, publish announcements, issue circulars to shareholders, obtain shareholders' approval, disclose in annual reports, and appoint independent financial advisers to provide advice.	The Company accepts the recommendation of the Consultants.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
1.2 Provision of the Loan to connected persons in breach of the Articles	Reference is made to the Loan. The Loan contravened Article 18.3 of the Company's Articles, which prohibits the Company from directly or indirectly providing loans or guarantees to Directors, their close associates, or entities controlled by them, unless such arrangements are permitted under the Companies Ordinance and the Companies Law. Accordingly, the Loans constitute a breach of the Company's Articles.	The risk of the Group violating the Company's Articles has not been minimized.	To safeguard the interests of the Group, the Consultants recommend that the Group shall strictly comply with the Company's Articles when providing loans to connected persons.	The Company accepts the recommendation of the Consultants.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
1.3 Failure to maintain the written records of the regular review and circulation of the list of connected persons (the “Connected Persons List”).	Monthly meetings are held by the management of the Group and the responsible staff of the finance department of each subsidiary of the Group to discuss and review the Connected Persons List. However, the Group failed to maintain records of these reviews or ensure the regular circulation of this list.	The Group's management may encounter challenges in verifying the accuracy of the Connected Persons List. Furthermore, if the Group fails to identify transaction parties as connected parties or connected persons promptly, it may hinder its ability to conduct connected transactions and issue necessary announcements promptly. The risk of non-compliance with the Listing Rules has not been minimized.	To safeguard the interests of the Group, the Consultants recommend that the Group shall appoint a designated individual responsible for regularly updating the Connected Persons List. This list should then be submitted to a designated reviewer for written approval. Once updated, the Connected Persons List should be distributed to employees in the relevant departments, and a written record of this distribution should be kept in a file.	The Company accepts the recommendation of the Consultants.

**Management's
response**

Recommendations for improvement

Risk factors

Findings

Deficiencies

In addition, the absence of regular record-keeping for the Connected Persons List may hinder the Group's management in confirming that personnel in relevant departments are adequately informed about the updated contents of the Connected Persons List. If a transaction party fails to be promptly identified as a connected party or connected person of the Group, it may delay the execution of the connected transaction and the announcement. The risk of non-compliance with the Listing Rules has not been minimized.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
1.4 The policies and procedures document for notifiable transaction information to be enhanced	The Group is obligated to comply with the disclosure requirements for notifiable transactions as specified in Chapter 14 of the Listing Rules. However, the relevant policies and procedures document of the Group do not provide clear guidance governing the disclosure of information related to notifiable transactions.	The Board, management, and relevant personnel within the Group currently may lack clear guidance on disclosing information related to notifiable transactions. This may also undermine the effectiveness of executive staff and the risk of administrative confusion has not been minimized.	To safeguard the interests of the Group, the Consultants recommend to update the written policies and relevant procedures to provide clear guidance be compiled to outline the disclosure procedures for notifiable transactions as soon as possible. This initiative will help the Group manage and disclose “notifiable transactions” in a timely and systematic manner, ensuring compliance with the requirements set by relevant regulatory authorities. Additionally, the written policies and procedures document should be regularly reviewed, updated, and approved by designated management personnel, with all relevant review records properly maintained.	The Company accepts the recommendation of the Consultants.

2. Treasury (including cash) management cycle

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
2.1 The record of the approval of the Loan Agreement remains incomplete.	Contracts must follow a formal approval process with clear documentation before signing with the counterparties. It was found that the Loan's approval record does not include an approval date.	The Group's management would find it difficult to confirm whether relevant contracts were signed after obtaining proper approval, and the risk of signing contracts without proper approval has not been minimized.	To safeguard the interests of the Group, the Consultants recommend that the Group shall require the handling personnel to sign and affix company seals to contracts with counterparties only after the contracts have been properly approved, and to clearly indicate the signing date to ensure that relevant agreements have been approved prior to signing.	The Company accepts the recommendation of the Consultants.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
2.2 Deficiencies in the policies and procedures governing the financial management cycle, including cash management	The Group has set up and implemented guidance for the “Fund Management System” and “Approval Authority Criteria”. These initiatives aim to standardize financial management processes. However, the Consultants have identified that the above-mentioned policies and procedures documents lack several essential administrative processes on the basis of business development for individuals, which are as follows: – Bank loan and repayment monitoring management process	The Group may adopt inconsistent or inappropriate practices when executing procedures related to the financial management cycle, including cash management. Such inconsistencies can hinder the effective implementation of control activities within these financial processes, ultimately diminishing the overall effectiveness of internal controls and negatively impacting the management of the Group involved.	To safeguard the interests of the Group, the Consultants recommend that the Group promptly update its existing “Fund Management System”. This update should include all relevant identified processes. The policies and procedures documents must clearly define its scope of application, specifying whether it applies to all or only certain operating units within the Group. Additionally, the policies and procedures documents should include a version number to facilitate the identification of updated versions.	The Company accepts the recommendation of the Consultants.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
	– Borrowing policy, account management, and special approval requirements and management process for directors, employees, shareholders, and related parties (if applicable)			
	– Interest rate risk hedging management process			
	– Third-parties collection and payment process			
	– Cash advance policy for employees, directors, and senior executives			
	– Acceptance bill management process			

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
2.3 The payment application form does not include information regarding the application date or the approval date.	The Consultants identified that 32 sample payment application forms were missing the application date or the approval date.	When payment requests do not include the application or approval date, it can create challenges for the Group's management. They may not be able to confirm whether the necessary funds were properly approved before processing the payments the risk of payments not being timely approved before payment has not been minimized.	To safeguard the interests of the Group, the Consultants recommend that the Group require payment applicants to record the application date when completing the payment application form. The application, together with all supporting documents, should then be submitted to the designated person in charge of written approval. The approver must also specify the approval date. All approved application forms should be kept in an organized manner for future reference.	The Company accepts the recommendation of the Consultants.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
2.4 Deficiencies in the process of approving payments	According to the established approval authority for cash payments within the Group, any payments to related parties exceeding RMB 100,000,000 require approval from the chairman of the Company (the “Chairman”). Likewise, payments to non-related parties exceeding RMB 50,000,000 also necessitate the Chairman's endorsement. The Consultants observed that the highest authority for approving cash	A single individual holds excessive authority regarding payment approvals. Additionally, the absence of a formalized approval process for related-party transactions may lead to inconsistent or inappropriate practices among members of the Group. This lack of coherence can hinder the effective implementation of necessary control activities, ultimately undermining the effectiveness of internal controls and negatively impacting the management of the Group.	To safeguard the interests of the Group, the Consultants recommend that the Group establish a defined authority structure for approving cash payments. Should the limit for individual approvals be exceeded, it is imperative that the payment application be submitted to the Board for approval. Payments may only be executed following approval and a formal resolution from the Board. Furthermore, the Consultants advise the Group to implement a formalized	The Company accepts the recommendation of the Consultants.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
	payments within the Group currently rests with the Chairman. However, there is no established maximum limit on the amount that a single approver can authorize for fund payments. Furthermore, it was noted that the Group has not set up a formal payment approval authority for connected transactions.		framework for the approval authority concerning related-party transactions, together with a structured hierarchical authorization system for these transactions. All payment application approval records of the Group, including the resolution documents of the Board regarding the approval of relevant payment applications, should be properly kept for future reference.	

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
2.5 Deficiencies in the contract management process	In accordance with the Group's established procedures, contracts may only be signed, stamped, and dated after receiving the necessary approvals from the department head, the designated authority, management oversight, and the legal affairs representative. The Consultants identified two samples of contracts that were missing signing dates.	It is difficult for the Group's management to ensure whether the relevant contracts have been signed only after obtaining proper approvals. As a result, the risk of entering into contracts without the proper authorization has not been minimized.	To safeguard the interests of the Group, the Consultants recommend that personnel responsible for handling contracts should sign and stamp the contract with the counterparties only after obtaining the necessary approvals. Additionally, they should include the date of signing to confirm that the contract has been approved before it is signed.	The Company accepts the recommendation of the Consultants.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
2.6 Deficiencies in the cash advance management process	Cash advance is based on business nature and projected expenses. Applicants must submit a cash advance application form stating the reason and amount, which is reviewed and approved by relevant personnel. The Consultants found that the Group has not set a cap on employee cash advance, lacks a regular repayment schedule, and does not require clear written justification for requested amounts.	The management of the Group may face challenges in effectively tracing the authenticity and necessity of cash advance applications and utilizations. This situation could lead to insufficient oversight of the comprehensive control over cash advance management, hindering efforts to mitigate the risk of misappropriation of the Company's funds.	To safeguard the interest of the Group, the Consultants recommend that the Group conducts a thorough assessment of employees' requests for cash advance in compliance with established regulations. Employees should be encouraged to provide clear and comprehensive explanations for their applications. It is advisable to establish appropriate upper limits for applying for cash advance, and employees should be encouraged to repay these amounts promptly.	The Company accepts the recommendation of the Consultants.
			Furthermore, it is essential to implement measures for employees who fail to return the cash advance funds promptly, which may include limitations on their future borrowing opportunities.	

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
2.7 Deficiencies in the bank account opening and closing management process	The treasury department of the Group is responsible for managing and the daily monitoring the corporate bank accounts. Opening a bank account requires completing a Bank Account Opening Application Form, followed by approvals from designated treasury staff, finance and department heads, the head of funds, and the Chief Finance Officer. Bank account closing follows a similar process using a Bank Account Closure Application Form. The Consultants noted that the Bank Account Opening Application Form and the Bank Account Closure Application Form were missing the application date and approval date.	It is difficult for the management of the relevant operating unit to ascertain the necessity of opening or closing the relevant bank account and to confirm whether such actions have been appropriately approved. As a result, the risk associated with conducting these transactions without proper authorization has not been minimized.	To safeguard the interests of the Group, the Consultants recommends that the applicant should complete either a "Bank Account Opening Application Form" or a "Bank Account Closure Application Form" when opening or closing a bank account. These forms should include the reason for the bank account opening or closure, the name of the bank, the type of account, and the date of application. After a review by the relevant department	The Company accepts the recommendation of the Consultants.

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
			head, the final approval date should be recorded. Once approved, the staff from the finance department will proceed to the bank to complete the necessary application or cancellation procedures. It is important to retain the account opening or closing settlement confirmation documents issued by the bank for future reference.	

Deficiencies	Findings	Risk factors	Recommendations for improvement	Management's response
2.8 Some cash payments without a payee signature record	According to the Group's Fund Management Policy, cash payments must be processed based on verified and approved vouchers, with signatures from authorized personnel. The cashier must stamp and seal the vouchers and complete accounting procedures. The Consultants found that 5 cash payments samples lacked the payee's signature record.	The Group's management may subsequently find it difficult to ensure the actual receipt of funds by the reimbursement recipient. Should a dispute arise in the future regarding the collection or amount of the money between the Group and the recipient, the Group may find itself at a disadvantage due to the lack of documented evidence verifying that the recipient received the funds in question.	To safeguard the interests of the Group, the Consultants recommend that the Group should require the payee to sign a receipt when cash payments are made. Furthermore, it is important to maintain accurate payment records for future reference.	The Company accepts the recommendation of the Consultants.

The Board, including the Committee, has conducted a thorough review of the IC Report. The Board acknowledged and concurred with the key findings identified by the Consultants. As of this announcement, the Group is committed to implementing the necessary remedial actions based on the Consultants' recommendations. The Company's objective is to complete all remedial actions by the end of October 2025, thereby effectively addressing the identified issues. Following this implementation, the Consultants will perform a follow-up review of the enhanced internal control processes (the "**Follow-up Review**") to assess whether the key internal control weaknesses have been adequately addressed.

The Company is committed to ensuring that its shareholders and potential investors are kept informed. The results of the Follow-up Review will be announced promptly by the Company, as and when appropriate, in accordance with the Listing Rules.

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, 20 October 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.