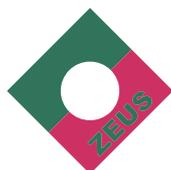


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Zhongzhi Pharmaceutical Holdings Limited

中智藥業控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 3737)

INSIDE INFORMATION ANNOUNCEMENT BUSINESS UPDATE

This announcement is made by the board of directors (the “**Board**”) of Zhongzhi Pharmaceutical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under 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 interim results announcement of the Company dated 24 August 2015 in relation to its unaudited interim results for the six months ended 30 June 2015 (the “**2015 Interim Announcement**”).

The Board wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the information currently available to the Board and the Board’s preliminary assessment of the unaudited consolidated management accounts, the Group is expected to record a slight decrease in net profit for the year ended 31 December 2015 as compared to 2014. Despite the fact that the Group recorded an increase of approximately 29.9% in net profit for the six months ended 30 June 2015 as compared to the corresponding period in 2014 as disclosed in the 2015 Interim Announcement, the slight decrease in net profit for the full year was primarily attributed to (i) the recognition of listing expenses in the second half of 2015; and (ii) the increase in selling and distribution expenses incurred in the latter half of 2015 due to the increase in advertising expenses for promoting the Company’s products and brand name.

In view of the slow growth of the Chinese economy in the last quarter of 2015, the Company incurred additional selling and distribution expenses on product advertising and brand promotion. To maintain the strong growth momentum of modern decoction pieces, the Company had engaged a professional marketing consultancy firm to devise a sales and marketing plan for its modern decoction pieces. As

part of the plan, the Company placed more advertisements through television, newspapers, medical journals and sign boards. Management of the Company expects that these additional marketing efforts will bring positive impact on the sales of modern decoction pieces in the near future.

The information set out in this announcement is only based on the information currently available to the Board and the Board's preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2015, subject to finalization and other potential adjustments (if necessary), and is not based on any figures or information audited or reviewed by the Company's auditor. Shareholders and potential investors are advised to read carefully the annual results announcement of the Group for the year ended 31 December 2015, which is expected to be published in late March 2016.

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

By order of the Board
Zhongzhi Pharmaceutical Holdings Limited
Mr. Lai Zhi Tian
Chairman and Executive Director

Hong Kong, 29 January 2016

As at the date of this announcement, the Board comprises seven directors. The executive directors are Mr. Lai Zhi Tian, Ms. Jiang Li Xia, Ms. Mou Li and Mr. Cao Xiao Jun. The independent non-executive directors are Mr. Ng Kwun Wan, Mr. Wong Kam Wah and Mr. Zhou Dai Han.