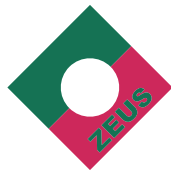


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Zhongzhi Pharmaceutical Holdings Limited

中智藥業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3737)

DISCLOSEABLE TRANSACTION CONSTRUCTION CONTRACTS

CONSTRUCTION CONTRACTS

On 10 October 2020, (i) Guangdong Yunzhi, a wholly-owned subsidiary of the Company, entered into the Yunfu Factory First Construction Contract with Guangdong Zhengdong, pursuant to which Guangdong Zhengdong shall provide construction services to Guangdong Yunzhi for the construction of the Yunfu Factory at a consideration of RMB27,000,000; and (ii) Zhongshan Zhongzhi, a wholly-owned subsidiary of the Company, entered into the Zhongshan Factory First Construction Contract with Guangdong Zhengdong, pursuant to which Guangdong Zhengdong shall provide construction services to Zhongshan Zhongzhi for the construction of the Zhongshan Factory at a consideration of RMB31,190,000.

On 24 March 2021, (i) Guangdong Yunzhi, a wholly-owned subsidiary of the Company, further entered into the Yunfu Factory Second Construction Contract with Guangdong Zhengdong, pursuant to which Guangdong Zhengdong shall provide further construction services to Guangdong Yunzhi for the construction of the Yunfu Factory at a consideration of RMB46,000,000; and (ii) Zhongshan Zhongzhi, a wholly-owned subsidiary of the Company, further entered into the Zhongshan Factory Second Construction Contract with Guangdong Zhengdong, pursuant to which Guangdong Zhengdong shall provide further construction services to Zhongshan Zhongzhi for the construction of the Zhongshan Factory at a consideration of RMB25,000,000.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Construction Contracts on aggregation exceed 5% but does not exceed 25%, the transactions will constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

On 10 October 2020, (i) Guangdong Yunzhi, a wholly-owned subsidiary of the Company, entered into the Yunfu Factory First Construction Contract with Guangdong Zhengdong, pursuant to which Guangdong Zhengdong shall provide construction services to Guangdong Yunzhi for the construction of the Yunfu Factory at a consideration of RMB27,000,000; and (ii) Zhongshan Zhongzhi, a wholly-owned subsidiary of the Company, entered into the Zhongshan Factory First Construction Contract with Guangdong Zhengdong, pursuant to which Guangdong Zhengdong shall provide construction services to Zhongshan Zhongzhi for the construction of the Zhongshan Factory at a consideration of RMB31,190,000.

On 24 March 2021, (i) Guangdong Yunzhi, a wholly-owned subsidiary of the Company, further entered into the Yunfu Factory Second Construction Contract with Guangdong Zhengdong, pursuant to which Guangdong Zhandong shall provide further construction services to Guangdong Yunzhi for the construction of the Yunfu Factory at a consideration of RMB46,000,000; and (ii) Zhongshan Zhongzhi, a wholly-owned subsidiary of the Company, further entered into the Zhongshan Factory Second Construction Contract with Guangdong Zhengdong, pursuant to which Guangdong Zhengdong shall provide further construction services to Zhongshan Zhongzhi for the construction of the Zhongshan Factory at a consideration of RMB25,000,000.

The aggregate consideration of the Construction Contracts is RMB129,190,000, the consideration of the Construction Contracts was arrived at after arm's length negotiations between the parties and with reference to, inter alia, the scope of each of the Construction Contracts and the prevailing market condition. The consideration for the Construction Contracts will be financed by a combination of internal resources of the Group and bank borrowings.

THE CONSTRUCTION CONTRACTS

The principal terms of the Construction Contracts are set out as follows:

Zhongshan Factory First Construction Contract

Date:	10 October 2020
Parties:	(i) Zhongshan Zhongzhi, a wholly-owned subsidiary of the Company; and (ii) Guangdong Zhengdong, as the contractor
Scope of services to be provided:	Provide construction services for the first phase of the Zhongshan Factory, including but not limited to the erection of the factory building, layout of the foundations of the structure, and other preliminary construction work.
Consideration:	RMB31,190,000

Payment terms: Payment shall be made by Zhongshan Zhongzhi to the contractor based on the actual amount of construction work completed each month according to the assessment of an independent project management company.

Unless specified, the independent project management company shall audit the progress payment request and send the results to the Zhongshan Zhongzhi within 7 days of submission from the contractor. Zhongshan Zhongzhi shall sign off the audited progress payment request within 7 days and subsequently complete the payment within 14 days upon receiving the audited progress payment request.

Any adjustments after the sign off of the progress payment request by Zhongshan Zhongzhi or the contractor shall be reflected in the progress payment in the following month.

Zhongshan Factory Second Construction Contract

Date: 24 March 2021

Parties: (i) Zhongshan Zhongzhi, a wholly-owned subsidiary of the Company; and
(ii) Guangdong Zhengdong, as the contractor

Scope of services to be provided: Provide construction services for the second phase construction of the Zhongshan Factory, including but not limited to interior decoration and renovations and installation of ventilation, drainage, electricity, elevator and fire alarm systems.

Consideration: RMB25,000,000

Payment terms: Payment shall be made by Zhongshan Zhongzhi to the contractor based on the actual amount of construction work completed each month according to the assessment of an independent project management company.

Unless specified, the independent project management company shall audit the progress payment request and send the results to the Company within 7 days of submission from the contractor. Zhongshan Zhongzhi shall sign off the audited progress payment request within 7 days and subsequently complete the payment within 14 days upon receiving the audited progress payment request.

Any adjustments after the sign off of the progress payment request by Zhongshan Zhongzhi or the contractor shall be reflected in the progress payment in the following month.

Yunfu Factory First Construction Contract

Date:	10 October 2020
Parties:	(i) Guangdong Yunzhi, a wholly-owned subsidiary of the Company; and (ii) Guangdong Zhengdong, as the contractor
Scope of services to be provided:	Provide construction services for the first phase of the Yunfu Factory being quality inspection building and dormitories, including but not limited to the erection of the buildings, laying out foundation of the structures and installation of ventilation, drainage, electric, elevator and fire alarm systems.
Consideration:	RMB27,000,000
Payment terms:	Payment shall be made by Guangdong Yunzhi to the contractor based on the actual amount of construction work completed each month according to the assessment of an independent project management company. Unless specified, the independent project management company shall audit the progress payment request and send the results to the Company within 7 days of submission from the contractor. The Company shall sign off the audited progress payment request within 7 days and subsequently complete the payment within 14 days upon receiving the audited progress payment request. Any adjustments after the sign off of the progress payment request by the Company or the contractor shall be reflected in the progress payment in the following month.

Yunfu Factory Second Construction Contract

Date:	24 March 2021
Parties:	(i) Guangdong Yunzhi, a wholly-owned subsidiary of the Company; and (ii) Guangdong Zhengdong, as the contractor
Scope of services to be provided:	Provide construction services for the second phase of the Yunfu Factory, being warehouses and production factories, including but not limited to the erection of the buildings, laying out foundation of the structures and installation of ventilation, drainage, electric, elevator and fire alarm systems.

Consideration: RMB46,000,000

Payment terms: Payment shall be made by the Company to the contractor based on the actual amount of construction work completed each month according to the assessment of an independent project management company.

Unless specified, the independent project management company shall audit the progress payment request and send the results to the Company within 7 days of submission from the contractor. Guangdong Yunzhi shall sign off the audited progress payment request within 7 days and subsequently complete the payment within 14 days upon receiving the audited progress payment request.

Any adjustments after the sign off of the progress payment request by Guangdong Yunzhi or the contractor shall be reflected in the progress payment in the following month.

INFORMATION OF GUANGDONG ZHENGDONG

Guangdong Zhengdong is a company with limited liability established in the PRC and is principally engaged in providing construction services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guangdong Zhengdong and its ultimate beneficial owners are third parties independent to the Company and its connected persons.

REASON FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in the pharmaceutical manufacturing in the PRC and the operation of chain pharmacies in Zhongshan in the Guangdong Province, the PRC.

The demand for the Company's pharmaceutical products has continued to increase and the Group continued record steady growth on its revenue. With the increasing recognition of Chinese medicine and the economy recovering from the pandemic, it is expected that the demand for pharmaceutical products will continue to increase in the future. As such, the Directors are of view that the Company should capture opportunities by constructing the Yunfu Factory and Zhongshan Factory to expand the production capacity of the Group and enhance the production efficiency in order to meet the demand of the customers and capturing more market share. The Zhongshan Factory will also act as a Headquarters for the Group's chain pharmacies operations along with a new automated logistics centre.

The Directors consider that the terms of the Construction Contracts are on normal commercial terms and are fair and reasonable and that the transactions contemplated under the Construction Contracts are in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Construction Contracts on aggregation exceed 5% but does not exceed 25%, the transactions will constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	Zhongzhi Pharmaceutical Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 3737)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contracts”	the Zhongshan Factory First Construction Contract, the Zhongshan Second Construction Contract, the Yunfu Factory First Construction Contract and the Yunfu Factory Second Construction Contract
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Yunzhi”	Guangdong Yunzhi Chinese Medicine Herb in Pieces Co., Ltd (廣東雲智中藥飲片有限公司), a company with limited company established in the PRC and a wholly-owned subsidiary of the Company
“Guangdong Zhengdong”	廣東省正東建設有限公司, a company with limited company established in the PRC and the contractor under the Construction Contracts
“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
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yunfu Factory”	the factory premises to be constructed in the Yunfu Health Medicine Industrial Park, Buwu Village Committee, Hekou Street, Yuncheng District, Guangdong, the PRC
“Yunfu Factory First Construction Contract”	the construction contract dated 10 October 2020 entered into between Guangdong Yunzhi and Guangdong Zhengdong in relation to the construction of the Yunfu Factory
“Yunfu Factory Second Construction Contract”	the construction contract dated 24 March 2021 entered into between Guangdong Yunzhi and Guangdong Zhengdong in relation to the construction of the Yunfu Factory
“Zhongshan Factory”	the factory premises to be constructed in 3 Guangfeng Industrial Avenue, West District, Zhongshan City, Guangdong, the PRC
“Zhongshan Factory First Construction Contract”	the construction contract dated 10 October 2020 entered into between Guangdong Yunzhi and Zhongshan Zhongzhi in relation to the construction of the Zhongshan Factory
“Zhongshan Factory Second Construction Contract”	the construction contract dated 24 March 2021 entered into between Guangdong Yunzhi and Zhongshan Zhongzhi in relation to the construction of the Zhongshan Factory
“Zhongshan Zhongzhi”	Zhongshan Zhongzhi Property Management Company Limited (中山中智物業管理有限公司), a company with limited company established in the PRC and a wholly-owned subsidiary of the Company

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

Hong Kong, 24 March 2021

As at the date of this announcement, the Board comprises nine directors. The executive directors are Mr. Lai Zhi Tian, Mr. Lai Ying Feng, Mr. Cao Xiao Jun and Mr. Cheng Jin Le. The non-executive directors are Ms. Jiang Li Xia and Mr. Yang Ai Xing. The independent non-executive directors are Mr. Ng Kwun Wan, Mr. Wong Kam Wah and Mr. Zhou Dai Han.