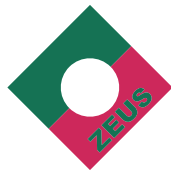


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Zhongzhi Pharmaceutical Holdings Limited

中智藥業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3737)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

PROPOSED SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that, on 29 June 2021 (after trading hours), the Company entered into the Subscription Agreement with Novich, being an Independent Third Party.

Pursuant to the Subscription Agreement, Novich has conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue a total of 23,600,000 Subscription Shares at the Subscription Price which shall be satisfied by payment of HK\$36,108,000 in cash.

Accordingly, the Subscription Shares to be issued pursuant to the Subscription Agreement represent approximately 2.81% of the total number of issued Shares of the Company as at the date of this announcement and approximately 2.73% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change in the number of issued Shares after the date of this announcement and before completion of the Subscription Agreement).

The net proceeds from the issue of the Subscription Shares pursuant to the Subscription Agreement, after deduction of all relevant costs and expenses, are estimated to be approximately HK\$36,055,430. As a result, the net price per share will be approximately HK\$1.53.

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to, deal in the Subscription Shares.

The Shareholders and potential investors should be aware that the Subscription Agreement and the transactions contemplated thereunder are subject to the fulfilment of the conditions precedent set out in the Subscription Agreement, and therefore the proposed issue of the Subscription Shares may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE SUBSCRIPTION

The Board is pleased to announce that, on 29 June 2021 (after trading hours), the Company entered into the Subscription Agreement with Novich, being an Independent Third Party.

The Subscription Agreement

The principal terms of the Subscription Agreement are set out as follows:

Date

29 June 2021 (after trading hours)

Parties

- (i) the Company (as issuer); and
- (ii) Novich (as subscriber)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Novich and its ultimate beneficial owner(s) are Independent Third Parties.

Subscription Shares

Pursuant to the Subscription Agreement, Novich has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 23,600,000 Subscription Shares at the Subscription Price of HK\$1.53 per Subscription Share. The Subscription Shares represent approximately (i) 2.81% of the total number of issued Shares as at the date of this announcement; and (ii) 2.73% of the total number of issued Shares as enlarged by the issue of the Subscription Shares (assuming that there is no other change in the number of issued Shares after the date of this announcement and before completion of the Subscription Agreement). The aggregate nominal value of the Subscription Shares is HK\$236,000.

Subscription Price

The Subscription Price of HK\$1.53 per Subscription Share represents:

- (i) a premium of approximately 2.00% to the closing price of HK\$1.500 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a premium of approximately 1.19% to the average closing price of approximately HK\$1.512 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company and Novich on the date of the Subscription Agreement with reference to the recent trading price of the Shares and the current market conditions. Board considers that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The aggregate Subscription Price will be payable by Novich in cash at completion of the Subscription.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon:

- (A) the granting of approval by the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares which may only be subject to conditions as are customarily stipulated by the Stock Exchange, and such approval not having been revoked;
- (B) all of the Company's representations, warranties and undertakings having remained true and accurate as at the date of the completion and the Company having fulfilled or complied with such representations, warranties and undertakings at or before the date of the completion (depending actual situations);
- (C) all of the Novich's representations, warranties and undertakings having remained true and accurate as at the date of the completion and the Novich having fulfilled or complied with such representations, warranties and undertakings at or before the date of the completion (depending actual situations);
- (D) the Company being able to maintain the public float as required by the Stock Exchange or under the Listing Rules after the completion of the Subscription Agreement;
- (E) the Subscription Agreement could be terminated at any time if both parties to the Subscription Agreement agree in writing. The Subscription Agreement shall automatically terminate and neither party to the Subscription Agreement shall have any claim against or liability to the other party in the event that Novich's overseas direct investment filing fails to be duly approved in accordance with laws prior to the expiry date of the Completion as set out in clause 4.02 of the Subscription Agreement.

If any of the conditions set out above have not been fulfilled or waived by the Company (for condition (C) only) or by Novich (for condition (B) only) on or before 31 August 2021 (or such other date as the parties may agree in writing), the Subscription Agreement shall lapse, whereupon all rights and obligations of the parties thereto shall cease to have effect except in respect of certain clauses of the Subscription Agreement and any accrued rights and obligations of the parties.

Completion

Completion of the Subscription Agreement will take place within 3 Business Days following the satisfaction (or waiver in accordance with the terms of the Subscription Agreement) of the conditions precedent set out in the Subscription Agreement (or such other date as the Company and Novich may agree).

Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to, deal in the Subscription Shares.

General Mandate

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM subject to the limit of up to 20% of the issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 168,000,000 Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of the Subscription Shares. As such, the issue of Subscription Shares is not subject to Shareholders' approval.

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank pari passu among themselves and with the Shares in issue at the time of allotment.

INFORMATION ON NOVICH

Novich is a limited established in the British Virgin Islands on 7 February 2017. Novich is an investment platform advised and managed by its shareholders Novich Positioning Investment (Cayman) Limited, which in turn is indirectly wholly-owned by Shanghai Novich Positioning Investment Management Co., Limited* (上海諾偉其定位投資管理有限公司). Novich targets to invest in portfolio companies which are or have the potential to be a global leader in the consumer industry and with potential significant growth in the PRC market.

Novich, is ultimately owned or controlled as to (i) 48.55% by Chen Qifeng* (陳奇峰); (ii) 36% by Jiang Hao* (姜皓); (iii) 10% by Huo Huaqiang* (火華強); (iv) 5.10% by Li Xiangqun* (李湘群); (v) 0.35% by Deng Liping* (鄧利平).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Novich and its ultimate beneficial owners are Independent Third Parties.

USE OF PROCEEDS AND REASON FOR THE SUBSCRIPTION

The Group is principally engaged in pharmaceutical manufacturing and operation of chain pharmacies in the PRC. The Board considers that, while broadening the shareholder base, the Subscription represents a valuable opportunity for the Company to bring in an investment fund as a shareholder which can enhance the corporate image of the Group. Also, the Board believes that the Group will continue to grow with Novich and continue to create greater value and explore new business opportunities for the Company through the network and synergy with it.

The gross proceeds from the issue of the Subscription Shares will be approximately HK\$36,108,000 and the net proceeds, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$36,055,430. As a result, the net price per share will be approximately HK\$1.53. The Company intends to use the net proceeds to enhance the distribution network, the public awareness of the brand and for shareholders' dividend.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months preceding the date of this announcement.

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates (by reference to the information on shareholdings available to the Company as at the date of this announcement) the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the completion of the Subscription Agreement, on the assumption that there is no other change in the number of issued Shares after the date of this announcement and before completion of the Subscription Agreement.

| Shareholders | As the date of this announcement | | Immediately after the completion of the Subscription Agreement | |
|--|----------------------------------|---------------|--|---------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % |
| Crystal Talent (<i>Note 1</i>) | 471,105,000 | 56.08 | 471,105,000 | 54.55 |
| Cheer Lik Development Limited (<i>Note 2</i>) | 42,240,000 | 5.03 | 42,240,000 | 4.89 |
| Advance Keypath Global Investment Limited (<i>Notes 3 and 4</i>) | 60,000,000 | 7.14 | 60,000,000 | 6.95 |
| Mr. Lai | 1,176,000 | 0.14 | 1,176,000 | 0.14 |
| Mr. Lai Ying Feng | 5,990,000 | 0.71 | 5,990,000 | 0.69 |
| Novich | – | – | 23,600,000 | 2.73 |
| Other public shareholders | 259,489,000 | 30.90 | 259,489,000 | 30.05 |
| Total | 840,000,000 | 100 | 863,600,000 | 100 |

Notes:

- These 471,105,000 shares are held by Crystal Talent, a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Lai.
- These 42,240,000 shares are held by Cheer Lik Development Limited, a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Ms. Jiang Li Xia, the spouse of Mr. Lai.
- These 60,000,000 shares are held by Advance Keypath Global Investment Limited, a company incorporated in the British Virgin Islands with limited liability.
- Mr. Lai is personally interested in 21.518% shareholding interest in Advance Keypath Global Investments Limited which is interested in 7.14% shareholding in the Company.

The Shareholders and potential investors should be aware that the Subscription Agreement and the transactions contemplated thereunder are subject to the fulfilment of the conditions precedent, and therefore the proposed issue of the Subscription Shares may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

| | |
|--------------------------------|---|
| “AGM” | the annual general meeting of the Company held on 18 May 2021 |
| “Board” | the board of Directors |
| “Business Day” | a day on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays) |
| “Company” | Zhongzhi Pharmaceutical Holdings Limited 中智藥業控股有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “General Mandate” | the general mandate granted to the Directors by an ordinary resolution of the Shareholders passed at the AGM to allot, issue and deal with up to 168,000,000 new Shares, being 20% of the issued share capital of the Company as at the date of AGM |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Independent Third Party(ies)” | third parties who are not connected persons of the Company and are independent of and not connected with the Company and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Lai” | Mr. Lai Zhi Tian, the Chairman and executive Director of the Company |

| | |
|--------------------------|---|
| “Novich” | Novich Dingli International Investment Limited 諾偉其定利國際投資有限公司, a company incorporated in the British Virgin Islands with limited liability |
| “PRC” | The People’s Republic of China |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | the subscription of Shares under the Subscription Agreement |
| “Subscription Agreement” | the conditional subscription agreement dated 29 June 2021 entered into between the Company and Novich in relation to the issue and subscription of the Subscription Shares |
| “Subscription Price” | HK\$1.53 per Subscription Share |
| “Subscription Share(s)” | the total of 23,600,000 new Shares to be subscribed by Novich and to be issued and allotted by the Company at the Subscription Price pursuant to the Subscription Agreement |
| “%” | percent |

* *For identification purpose only*

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

Hong Kong, 29 June 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.