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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)

PROFIT WARNING

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).

The Board wishes to inform the shareholders of the Company (“**Shareholders**”) and potential investors that based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2021, it is expected that the Group will record a profit of around RMB90.0 million (before fair value adjustment on unlisted wealth management product) for the year ended 31 December 2021 as compared to the net profit of RMB138.6 million the year ended 31 December 2020. Notwithstanding an increase in revenue of the Group, the expected material reduction in net profit is mainly attributable to (i) an increase in overall production costs due to the global increase in raw material prices including metals and Chinese medicinal herbs; (ii) increase in selling and distribution expenses incurred due to the increase in advertising expenses for promoting the Company’s products and brand name; and (iii) increase in salary expenses as a result of the increase of headcounts for the expansion of operations in the first half of 2021.

In addition, the Group is in the process of finalising the potential fair value adjustment on certain unlisted wealth management product purchased by the Group from a bank with a principal amount of RMB37.0 million, which are overdue for redemption due to the uncertainties surrounding certain bonds issued by property developers in the PRC. The Group is actively seeking legal opinions and will take all necessary legal measures against the relevant issuers to recover any investment losses as much as possible to protect the interest of the Company and its Shareholders. However, any potential fair value adjustment on the aforesaid unlisted wealth management product may further reduce the net profit of the Group for the year ended 31 December 2021. Nevertheless, as the Company continued to maintain sufficient cash flow, the overdue redemption of the unlisted wealth management product will not cause a material adverse impact on the Company's operation.

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 2021. The unaudited consolidated results of the Group for the year ended 31 December 2021 are expected to be announced by the Company before the end of March 2022. Shareholders and potential investors are advised to read the annual results announcement of the Company when it is published.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 22 February 2022

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. Peng Zhiyun. The independent non-executive Directors are Mr. Ng Kwun Wan, Mr. Wong Kam Wah and Mr. Zhou Dai Han.