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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)**

### **COMPLETION OF DISCLOSEABLE TRANSACTION IN RELATION TO CONSTRUCTION CONTRACTS**

This announcement is a voluntary announcement made by Zhongzhi Pharmaceutical Holdings Limited (the “**Company**”) to update its shareholders and potential investors in relation to discloseable transaction in relation to the entering of construction contracts.

Reference is made to the announcements of the Company dated 24 March 2021 and 7 April 2021 (the “**Announcements**”) in relation to the construction contracts. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise defined.

#### **LATEST DEVELOPMENT OF THE OPERATION OF THE COMPANY**

Zhongzhi Pharmaceutical Holdings Limited and its subsidiaries are principally engaged in the manufacture of traditional Chinese medicine products and the operation of retail pharmacies in the PRC.

With the continuous development of the business, the demand for pharmaceutical products of the Company and its subsidiaries (collectively, the “**Group**”) continued to increase, and the Group continued to record steady revenue growth. Leveraging on the increasing recognition of Chinese medicine and the economy recovering from the pandemic, it is expected that the social demand for pharmaceutical products will continue to increase in the future. Based on these conditions, the Board decided to expand the production capacity in 2020 and 2021 successively, and approved the construction plan of the factories of Zhongshan Zhongzhi Chinese Medicine Herb in Pieces Co., Ltd. (Caojinghua automation workshop), Guangdong Yunzhi Chinese Medicine Herb in Pieces Co., Ltd. (Yunfu Factory) and the smart logistics headquarters (Zhongshan Factory) of Zhongshan Zhongzhi Chain Pharmacies Company Limited to further meet the needs of strategic development.

## **Caojinghua Automation Workshop**

In June 2020, Zhongshan Zhongzhi Chinese Medicine Herb in Pieces Co., Ltd., a wholly-owned subsidiary of the Group, invested RMB47,430,000 to build an automated workshop with a gross floor area of 3,500 square meters, and passed the license acceptance and put it into use in April 2021. The automated workshop meets the expansion needs of the Group's "Caojinghua" cell wall-broken decoction pieces (cell wall-broken herbs), with an increase of RMB2 billion in annual production capacity. The production has changed from the original semi-automatic operation to the equipment-automation operation mode, which not only reduces the labour cost, reduces the burden on personnel and promotes stable quality, but also greatly improves the production capacity and economic benefits. The technical equipment and innovative business concepts take the lead in the industry.

## **COMPLETION OF THE CONSTRUCTION CONTRACTS**

### **Factory of Yunzhi Chinese Medicine Herb in Pieces (Yunfu Factory)**

In October 2020, Guangdong Yunzhi Chinese Medicine Herb in Pieces Co., Ltd., a wholly-owned subsidiary of the Group, invested RMB73,000,000 to construct a new production factory with a gross floor area of 45,000 square meters, which passed the license acceptance and commenced full production in January 2022. The factory will continue to pursue the Company's historical mission of "promoting Chinese medicine culture and pushing forward the Chinese medicine industry", and to meet the market demand for traditional Chinese Medicine herb pieces and small-package decoction pieces. At the same time, the Yunfu Factory includes an independent third-party testing facility which is equipped with state-of-the-art testing equipment to undertake the demand for raw material testing of Chinese medicines of the community in the future.

## **The Smart Logistics Headquarters of Zhongzhi Chain Pharmacies (Zhongshan Factory)**

In March 2021, Zhongshan Zhongzhi Chain Pharmacies Company Limited, a wholly-owned subsidiary of the Group, invested RMB56,190,000 to construct the smart logistics headquarters of Zhongzhi Chain Pharmacies (Zhongshan Factory) with a gross floor area of 29,000 square meters, which passed the license acceptance and commenced full production in April 2022. The chain headquarters will fully meet the requirement of headquarters for office location. Adhering to leading design concepts in China to embrace new technologies in all aspects of the logistics industry, and to put in place the most advanced equipment in the market, the brand-new intelligent logistics centre will greatly improve overall work efficiency, reduce the existing workload and meet the demands of the continued rapid expansion of Zhongzhi Chain Pharmacies. The new intelligent logistics centre has the capacity of processing an annual logistics and distribution demand of the Group's product of RMB2 billion, laying the foundation for the opening chapter of development of a new era of Zhongzhi Chain Pharmacies. The chain segment business of the Group will develop more firmly and rapidly, and continue to explore new business opportunities to maintain the leading development of chain pharmacies in Zhongshan.

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

Hong Kong, 26 April 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. Lai Ying Sheng and Mr. Cao Xiao Jun. 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.*