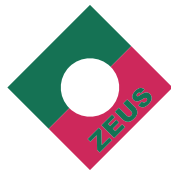


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Zhongzhi Pharmaceutical Holdings Limited

中智藥業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3737)

DISCLOSEABLE TRANSACTION CONSTRUCTION CONTRACT

CONSTRUCTION CONTRACT

On 23 May 2023, Zhongshan Hengsheng, a wholly-owned subsidiary of the Company, entered into the Construction Contract with Shenzhen Xinmei, pursuant to which Shenzhen Xinmei shall provide construction services to Zhongshan Hengsheng for the construction of the Hengsheng Factory at a consideration of RMB102,000,000.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction contemplated under the Construction Contract exceed 5% but does not exceed 25%, the transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

On 23 May 2023, Zhongshan Hengsheng, a wholly-owned subsidiary of the Company, entered into the Construction Contract with Shenzhen Xinmei, pursuant to which Shenzhen Xinmei shall provide construction services to Zhongshan Hengsheng for the construction of the Hengsheng Factory at a consideration of RMB102,000,000.

THE CONSTRUCTION CONTRACT

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

Date	:	23 May 2023
Parties	:	(i) Zhongshan Hengsheng, a wholly-owned subsidiary of the Company; and (ii) Shenzhen Xinmei, as the contractor
Scope of services to be provided	:	Provide construction services for the Hengsheng Factory, a factory premise to be constructed in the Shengwugu Avenue, Zhongshan Torch Gaojishu Industry Development Zone, Zhongshan, Guangdong, the PRC
Consideration	:	RMB102,000,000

The consideration of the Construction Contract was arrived at after arm's length negotiations between the parties and with reference to, inter alia, the scope of each of the Construction Contract and the prevailing market condition. The consideration for the Construction Contract will be financed by internal resources of the Group.

Payment terms	:	Payment shall be made by Zhongshan Hengsheng to the contractor based on the actual progress of construction work completed each month according to the assessment of an independent project management company.
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Unless specified, the independent project management company shall audit the progress payment request and send the results to the Zhongshan Hengsheng within 7 days of submission from the contractor. Zhongshan Hengsheng 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 Hengsheng or the contractor shall be reflected in the progress payment in the following month.

Completion	:	The construction of the Hengsheng Factory is expected to be completed on or before March 2024.
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INFORMATION OF SHENZHEN XINMEI

Shenzhen Xinmei is a company with limited liability established in the PRC and is principally engaged in providing construction and decoration services. As the date of this announcement, Shenzhen Xinmei is ultimately owned or controlled as to (i) 98% by Mr. Chen Aimin; and (ii) 2% by Mr. Li Defeng.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Xinmei and its ultimate beneficial owners, Mr. Chen Aimin and Mr. Li Defeng are third parties independent of and not connected with the Company and its connected persons.

REASON FOR AND BENEFITS OF THE TRANSACTION

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

With the increasing health awareness of the public after the COVID-19 pandemic, Chinese medicine continues to play a fundamental role for medical purpose and healthy lifestyle in the PRC. The demand for the Company's Chinese patent medicines increases steadily as the Group continued to record steady growth on its revenue, and it is expected that the demand in Chinese patent medicines will continue to increase in the future. As such, the Directors are of view that the Group shall expand the production capacity for Chinese patent medicine with the construction of the Hengsheng Factory to further capture market share.

The Directors consider that the terms of the Construction Contract are on normal commercial terms and are fair and reasonable and that the transaction contemplated under the Construction Contract is 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 transaction contemplated under the Construction Contract exceed 5% but does not exceed 25%, the transaction constitutes a discloseable transaction of the Company and is 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 Contract”	the construction contract dated 23 May 2023 entered into between Zhongshan Hengsheng and Shenzhen Xinmei in relation to the construction of the Hengsheng Factory
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hengsheng Factory”	the factory premises to be constructed in the Shengwugu Avenue, Zhongshan Torch Gaojishu Industry Development Zone, Zhongshan, Guangdong, the PRC
“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, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Shenzhen Xinmei”	Shenzhen Xinmei Decoration and Construction Group Limited (深圳新美裝飾建設集團有限公司), a company with limited company established in the PRC and the contractor under the Construction Contract

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Zhongshan Hengsheng”

Zhongshan Hengsheng Pharmaceutical Group Co., Ltd. (中山市恒生藥業有限公司), 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, 23 May 2023

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.