

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**KINGWORLD MEDICINES GROUP LIMITED**  
**金活醫藥集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code : 01110)

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
THE MEDICAL MASKS DISTRIBUTION AGREEMENT  
AND THE MEDICAL MASKS SERVICE AGREEMENT  
AND  
VOLUNTARY ANNOUNCEMENT  
IN RELATION TO  
SUBSIDIARY BEING LISTED ON THE NAME LIST OF  
MEDICAL DEVICES AND SUPPLIES COMPANIES WITH  
CERTIFICATION/AUTHORISATION  
FROM OTHER COUNTRIES  
AND  
THE ESTABLISHMENT OF A JOINT VENTURE COMPANY**

**THE MEDICAL MASKS DISTRIBUTION AGREEMENT AND THE MEDICAL MASKS SERVICE AGREEMENT**

In response to the recent shortage of medical masks caused by the outbreak of the novel coronavirus (COVID-19), the Group would like to diversify its product portfolio to cover the distribution of medical masks that meet certain certification standards to help alleviate the shortage of medical masks in the market and to generate positive income for the Group.

The Board announces that on 18 May 2020 (after trading hours), SZ Kingworld, a wholly-owned subsidiary of the Company, entered into the Medical Masks Distribution Agreement with SZ Kingworld Lifeshine.

Based on the information available to the Group, some of the customers are expected to insist on entering into sales contracts with SZ Kingworld Lifeshine, which is the manufacturer of the medical masks, directly based on their own procurement policies (such as quality control consideration and minimising the number of parties involved in the transaction).

The Board announces that on 18 May 2020 (after trading hours), the Company entered into the Medical Masks Service Agreement with SZ Kingworld Lifeshine.

## **Medical Masks Distribution Agreement**

Pursuant to the Medical Masks Distribution Agreement, SZ Kingworld and/or any wholly-owned subsidiary of the Company shall purchase medical masks from SZ Kingworld Lifeshine and act as its exclusive distributor for distribution of medical masks produced by SZ Kingworld Lifeshine in the Greater China and overseas market. The term of the Medical Masks Distribution Agreement will be from 18 May 2020 to 31 December 2020. In the event that a customer requests SZ Kingworld Lifeshine to sell the medical masks to it directly, instead of through a distributor, SZ Kingworld Lifeshine may, subject to the compliance with the Listing Rules, sell the medical masks to the customers directly and SZ Kingworld Lifeshine shall pay the relevant service fee to the Group in accordance with the terms of the Medical Masks Service Agreement.

## **Medical Masks Service Agreement**

Pursuant to the Medical Masks Service Agreement, the Company and/or any wholly-owned subsidiary of the Company shall provide sales coordination and market research services in relation to the direct sales of medical masks by SZ Kingworld Lifeshine in the Greater China and overseas market. The term of the Medical Masks Service Agreement will be from 18 May 2020 to 31 December 2020.

## **IMPLICATIONS UNDER THE LISTING RULES**

SZ Kingworld Lifeshine is a company wholly-owned by Morning Gold, which is in turn 51% held by Mr. Zhao and 49% held by Ms. Chan, respectively. Both of Mr. Zhao and Ms. Chan are executive Directors and Controlling Shareholders of the Company. Therefore, SZ Kingworld Lifeshine is a connected person of the Company and the transactions under the Medical Masks Distribution Agreement and the Medical Masks Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 20 November 2019 and 24 December 2019 and the circular of the Company dated 30 December 2019 in respect of, among other things, the continuing connected transactions with (i) SZ Kingworld Lifeshine contemplated under the 2020 SZ Kingworld Lifeshine Master Distribution Agreement; and (ii) Yuen Tai contemplated under the 2020 Yuen Tai Master Distribution Agreement. Both SZ Kingworld Lifeshine and Yuen Tai are companies wholly-owned by Morning Gold, which is in turn 51% held by Mr. Zhao and 49% held by Ms. Chan, respectively.

Given that the 2020 SZ Kingworld Lifeshine Master Distribution Agreement and the 2020 Yuen Tai Master Distribution Agreement had been approved by the independent Shareholders at the extraordinary general meeting of the Company held on 16 January 2020, the Company is not required to reclassify the transactions to be made under the Medical Masks Distribution Agreement and the Medical Masks Service Agreement by aggregating them with the transactions under the 2020 SZ Kingworld Lifeshine Master Distribution Agreement and the 2020 Yuen Tai Master Distribution Agreement.

Since the highest applicable percentage ratios calculated with reference to the highest annual cap for transactions contemplated under the Medical Masks Distribution Agreement and the Medical Masks Service Agreement are more than 0.1% but less than 5%, the Medical Masks Distribution Agreement and the Medical Masks Service Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **SUBSIDIARY BEING LISTED ON THE NAME LIST OF MEDICAL DEVICES AND SUPPLIES COMPANIES WITH CERTIFICATION/AUTHORISATION FROM OTHER COUNTRIES**

Due to the recent outbreak of the novel coronavirus (COVID-19), the PRC government has tightened the regulations regarding the export of certain medical devices and supplies. Only companies that are listed on the Name List of Medical Devices and Supplies Companies with Certification/Authorisation from other Countries (取得國外標準認證或註冊的醫療物資生產企業清單) may export certain medical devices and supplies.

The Board announces that the China Chamber of Commerce for Import & Export of Medicines & Health Products (中國醫藥保健品進出口商會) has listed SZ Dongdixin, a subsidiary of the Company, as one of the medical devices and supplies companies with certification or authorisation from other countries which is authorised to export infrared thermometers.

SZ Dongdixin is a manufacturer of medical devices and it has obtained various certifications and authorisation for the medical devices it manufactures and/or exports, including the certification issued by the Food and Drug Administration of the United States of America and CE marking for infrared thermometers.

## **ESTABLISHMENT OF A JOINT VENTURE COMPANY**

On 18 May 2020 (after trading hours), SZ Kingworld entered into the Share Transfer Agreement with Ms. Zhao in relation to the transfer of equity interest in SZ Shuxintang. Upon completion of the Share Transfer Agreement, SZ Shuxintang will be 40.8% held by SZ Kingworld, 39.2% held by SZ Kingworld Industry and 20% held by Ms. Zhao, respectively.

SZ Shuxintang will engage in the provision of cultural and art exchange planning, exhibition and display services and public relations planning services for the purpose of strengthening corporate culture publicity and enhancing brand influence of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

SZ Kingworld is a wholly-owned subsidiary of the Company. SZ Kingworld Industry is ultimately 80% owned by Mr. Zhao and 20% owned by Ms. Chan, respectively. Both of Mr. Zhao and Ms. Chan are executive Directors and Controlling Shareholders of the Company. Therefore, SZ Kingworld Industry is a connected person of the Company. Ms. Zhao is the daughter of Mr. Zhao and Ms. Chan and is therefore a connected person of the Company.

Upon completion of the Share Transfer Agreement, SZ Shuxintang will be a joint venture arrangement formed by SZ Kingworld, SZ Kingworld Industry and Ms. Zhao, respectively and the formation of joint venture arrangement relating to SZ Shuxintang constitutes a connected transaction of the Company. As all of the applicable percentage ratios in respect of the consideration received by SZ Kingworld under the Share Transfer Agreement and the total capital injection by SZ Kingworld in SZ Shuxintang is less than 5% and the total amount of the consideration received by SZ Kingworld under the Share Transfer Agreement and the capital injection by SZ Kingworld in SZ Shuxintang is below HK\$3,000,000, the formation of the joint venture arrangement by SZ Kingworld, SZ Kingworld Industry and Ms. Zhao relating to SZ Shuxintang constitutes a fully exempt connected transaction under the de minimis exemption of Chapter 14A of the Listing Rules and is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements. The disclosure relating to the establishment of a joint venture relating to SZ Shuxintang in this announcement is made by the Company on a voluntary basis.

In response to the recent shortage of medical masks caused by the outbreak of the novel coronavirus (COVID-19), the Group would like to diversify its product portfolio to cover the distribution of medical masks that meet certain certification standards to help alleviate the shortage of medical masks in the market and to generate positive income for the Group.

The Board announces that on 18 May 2020 (after trading hours), SZ Kingworld, a wholly-owned subsidiary of the Company, entered into the Medical Masks Distribution Agreement with SZ Kingworld Lifeshine.

Based on the information available to the Group, some of the customers are expected to insist on entering into sales contracts with SZ Kingworld Lifeshine, which is the manufacturer of the medical masks, directly based on their own procurement policies (such as quality control consideration and minimising the number of parties involved in the transaction).

The Board announces that on 18 May 2020 (after trading hours), the Company entered into the Medical Masks Service Agreement with SZ Kingworld Lifeshine.

## **MEDICAL MASKS DISTRIBUTION AGREEMENT**

### **A. BACKGROUND**

The Board announces that on 18 May 2020 (after trading hours), SZ Kingworld, a wholly-owned subsidiary of the Company, entered into the Medical Masks Distribution Agreement with SZ Kingworld Lifeshine, pursuant to which SZ Kingworld and/or any wholly-owned subsidiary of the Company shall purchase medical masks from SZ Kingworld Lifeshine and act as its exclusive distributor for distribution of medical masks produced by SZ Kingworld Lifeshine in the Greater China and overseas market. The term of the Medical Masks Distribution Agreement will be from 18 May 2020 to 31 December 2020.

Details of the Medical Masks Distribution Agreement are as follows:

### **B. MEDICAL MASKS DISTRIBUTION AGREEMENT**

**1. Date:** 18 May 2020

**2. Parties:**

- (a) SZ Kingworld, a wholly-owned subsidiary of the Company
- (b) SZ Kingworld Lifeshine

### **3. Description of the transactions:**

Pursuant to the Medical Masks Distribution Agreement, SZ Kingworld and/or any wholly-owned subsidiary of the Company shall purchase medical masks from SZ Kingworld Lifeshine and act as its exclusive distributor for distribution of medical masks produced by SZ Kingworld Lifeshine in the Greater China and overseas market.

In the event that a customer requests SZ Kingworld Lifeshine to sell the medical masks to it directly, instead of through a distributor, SZ Kingworld Lifeshine may, subject to the compliance with the Listing Rules, sell the medical masks to the customers directly and SZ Kingworld Lifeshine shall pay the relevant service fee to the Group in accordance with the terms of the Medical Masks Service Agreement.

### **4. Term:**

The Medical Masks Distribution Agreement will commence on 18 May 2020 and will expire on 31 December 2020 (both days inclusive).

### **5. Pricing and payment terms:**

The Medical Masks Distribution Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The terms and conditions (including but not limited to the prices) on which the medical masks are to be purchased by the Group shall be on normal commercial terms and no less favourable than those obtained from independent third parties by the Group. The Group will satisfy the consideration of such purchases by its internal resources.

The prices of the medical masks to be purchased by the Group will be based on the prevailing market prices of similar products and the unit prices of the medical masks from time to time and will be no less favourable to the Group than those terms offered by other independent third parties suppliers.

The actual amounts, types, unit prices, delivery dates and methods of delivery of the medical masks to the Group will be subject to individual orders placed by the Group and accepted by SZ Kingworld Lifeshine. To the extent that a comparison can be made (subject to similar nature, quality, quantity of purchase and conditions of the products and/or services), the Company and/or SZ Kingworld shall use its best efforts to obtain price quotations from at least two independent third parties for comparison purposes (if applicable), to determine whether the prices and/or terms offered by SZ Kingworld Lifeshine are fair and reasonable, and are similar to or more favourable than those offered by the independent third party(ies). The Group shall have the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent third parties suppliers.

40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an order, and SZ Kingworld Lifeshine has confirmed the order, for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection.

## **6. Annual Cap:**

The annual cap for the purchase of medical masks under the Medical Masks Distribution Agreement for the period from 18 May 2020 to 31 December 2020 is RMB9,000,000 (equivalent to approximately HK\$9,868,000)

In arriving at the above annual cap, the Directors have taken into account the following factors:

- (i) the expected demand for medical masks from customers; and
- (ii) the production capacity of SZ Kingworld Lifeshine of medical masks.

## **MEDICAL MASKS SERVICE AGREEMENT**

### **C. BACKGROUND**

The Board announces that on 18 May 2020 (after trading hours), the Company entered into the Medical Masks Service Agreement with SZ Kingworld Lifeshine, pursuant to which the Company and/or any wholly-owned subsidiary of the Company shall provide sales coordination and market research services in relation to the direct sales of medical masks by SZ Kingworld Lifeshine in the Greater China and overseas market. The term of the Medical Masks Service Agreement will be from 18 May 2020 to 31 December 2020.

Details of the Medical Masks Service Agreement are as follows:

### **D. MEDICAL MASKS SERVICE AGREEMENT**

**1. Date:** 18 May 2020

**2. Parties:**

- (a) the Company
- (b) SZ Kingworld Lifeshine

**3. Description of the transactions:**

Pursuant to the Medical Masks Service Agreement, the Company and/or any wholly-owned subsidiary of the Company shall provide sales coordination and market research services in relation to the direct sales of medical masks by SZ Kingworld Lifeshine in the Greater China and overseas market, including market research, customer procurement, research, selection and referral, procurement of medical masks, negotiation with customers on behalf of SZ Kingworld Lifeshine, preparation and review of sales contracts and arrangement and implementation of sales plans (including trade terms, payment methods, settlement methods and sales and delivery).

#### **4. Term:**

The Medical Masks Service Agreement will commence on 18 May 2020 and will expire on 31 December 2020 (both days inclusive).

#### **5. Pricing and payment terms:**

The Medical Masks Service Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The terms and conditions (including but not limited to the service fees) shall be on normal commercial terms and no less favourable than those obtained from independent third parties by the Group.

The service fees received by the Group will be based on each successful purchase order obtained by the Group. The Group shall be entitled to service fees which is equal to 3% of the transaction amount paid by the customers to SZ Kingworld Lifeshine for the medical masks ordered. SZ Kingworld Lifeshine shall pay the service fees to the Group within five business days upon the receipt of the transaction amount from the customer.

SZ Kingworld Lifeshine shall pay all costs and out-of-pocket expenses reasonably incurred by the Group in connection with the carrying out of the services under the Medical Masks Service Agreement upon written request from the Group.

The service fees and other terms under the Medical Masks Service Agreement will be based on the prevailing market prices of similar services provided from time to time and will be no less favourable to the Group than those terms offered by other independent third parties.

To the extent that a comparison can be made (subject to similar nature, quality, quantity of purchase and conditions of the products and/or services), the Company shall use its best efforts to obtain price quotations from at least two independent third parties for comparison purposes (if applicable), to determine whether the prices and/or terms offered by SZ Kingworld Lifeshine are fair and reasonable, and are similar to or more favourable than those offered by the independent third party(ies). The Group shall have the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent third parties suppliers.

#### **6. Annual Cap:**

The annual cap for the service fees under the Medical Masks Service Agreement for the period from 18 May 2020 to 31 December 2020 is RMB6,000,000 (equivalent to approximately HK\$6,579,000)

In arriving at the above annual cap, the Directors have taken into account the following factors:

- (i) the expected demand for medical masks from customers;
- (ii) the portion of customers who are expected to insist on entering into sales contracts with SZ Kingworld Lifeshine, which is the manufacturer of the medical masks, directly based on their own procurement policies (such as quality control consideration and minimising the number of parties involved in the transaction); and
- (iii) the production capacity of SZ Kingworld Lifeshine of medical masks.

## **E. REASONS FOR AND BENEFITS IN ENTERING INTO THE MEDICAL MASKS DISTRIBUTION AGREEMENT AND THE MEDICAL MASKS SERVICE AGREEMENT**

The Group is principally engaged in the distribution of pharmaceutical and healthcare products in the PRC. The pharmaceutical and healthcare products distributed by the Group are supplied by various suppliers including SZ Kingworld Lifeshine. The Directors consider that a long term and steady relationship with these suppliers are of importance to the Group as it enables stability in the supply to the Group which in turn avoids any unnecessary disruption to the Group's business and guarantees a smooth operation of the Group.

In response to the recent shortage of medical masks caused by the outbreak of the novel coronavirus (COVID-19), the Group would like to diversify its product portfolio to cover the distribution of medical masks that meet certain certification standards to help alleviate the shortage of medical masks in the market and to generate positive income for the Group.

Pursuant to the Medical Masks Distribution Agreement, the prices of the medical masks should be on normal commercial terms and no less favourable than those obtained from independent third parties. As such, the Group may gain competitive advantage in terms of costs. As the Group will act as the exclusive distributor for the distribution of medical masks produced by SZ Kingworld Lifeshine in the Greater China and overseas market, the Group may avoid competition with other potential distributors with respect to medical masks produced by SZ Kingworld Lifeshine in the market.

Based on the information available to the Group, some of the customers are expected to insist on entering into sales contracts with SZ Kingworld Lifeshine, which is the manufacturer of the medical masks, directly based on their own procurement policies (such as quality control consideration and minimising the number of parties involved in the transaction). The Group has entered into the Medical Masks Service Agreement, where it will act as a service provider in providing sales coordinating support in relation to the direct sales of medical masks by SZ Kingworld Lifeshine. The Group believes it can utilise its existing sales and distribution network to conduct market research and obtain new customers for SZ Kingworld Lifeshine, while the service fees payable by SZ Kingworld Lifeshine to the Group will generate positive income for the Group.

Pursuant to the Medical Masks Service Agreement, the service fees and terms should be on normal commercial terms and no less favourable than those obtained from independent third parties.

In light of the above factors, the Directors (including the independent non-executive Directors, excluding Mr. Zhao and Ms. Chan, who have abstained from voting on the relevant board resolutions due to their interest in the Medical Masks Distribution Agreement and the Medical Masks Service Agreement) consider that the terms (including the annual caps for the period from 18 May 2020 to 31 December 2020) under the Medical Masks Distribution Agreement and Medical Masks Service Agreement have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms and the terms are fair and reasonable and in the interests of the Shareholders as a whole.



Due to their interest in the Medical Masks Distribution Agreement and the Medical Masks Service Agreement, Mr. Zhao and Ms. Chan have abstained from voting on the relevant board resolutions to approve the Medical Masks Distribution Agreement and the Medical Masks Service Agreement. Save as Mr. Zhao and Ms. Chan, no Director is materially interested in the transactions contemplated under the Medical Masks Distribution Agreement and the Medical Masks Service Agreement and is required to abstain from voting on the board resolutions to approve the Medical Masks Distribution Agreement or the Medical Masks Service Agreement.

## **F. GENERAL INFORMATION**

### **1. Principal Business Activities**

#### ***a) The Group***

The Group is principally engaged in the distribution of pharmaceutical and healthcare products in the PRC and Hong Kong.

#### ***b) SZ Kingworld Lifeshine***

SZ Kingworld Lifeshine is principally engaged in the manufacturing of pharmaceutical and healthcare products.

## **G. IMPLICATIONS UNDER THE LISTING RULES**

SZ Kingworld Lifeshine is a company wholly-owned by Morning Gold, which is in turn 51% held by Mr. Zhao and 49% held by Ms. Chan, respectively. Both of Mr. Zhao and Ms. Chan are executive Directors and Controlling Shareholders of the Company. Therefore, SZ Kingworld Lifeshine is a connected person of the Company and the transactions under the Medical Masks Distribution Agreement and the Medical Masks Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 20 November 2019 and 24 December 2019 and the circular of the Company dated 30 December 2019 in respect of, among other things, the continuing connected transactions with (i) SZ Kingworld Lifeshine contemplated under the 2020 SZ Kingworld Lifeshine Master Distribution Agreement; and (ii) Yuen Tai contemplated under the 2020 Yuen Tai Master Distribution Agreement. Both SZ Kingworld Lifeshine and Yuen Tai are companies wholly-owned by Morning Gold, which is in turn 51% held by Mr. Zhao and 49% held by Ms. Chan, respectively.

Given that the 2020 SZ Kingworld Lifeshine Master Distribution Agreement and the 2020 Yuen Tai Master Distribution Agreement had been approved by the independent Shareholders at the extraordinary general meeting of the Company held on 16 January 2020, the Company is not required to reclassify the transactions to be made under the Medical Masks Distribution Agreement and the Medical Masks Service Agreement by aggregating them with the transactions under the 2020 SZ Kingworld Lifeshine Master Distribution Agreement and the 2020 Yuen Tai Master Distribution Agreement.

Since the highest applicable percentage ratios calculated with reference to the highest annual cap for transactions contemplated under the Medical Masks Distribution Agreement and the Medical Masks Service Agreement are more than 0.1% but less than 5%, the Medical Masks Distribution Agreement and the Medical Masks Service Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## H. POTENTIAL COMPETING BUSINESS

On 5 November 2010, each of Mr. Zhao and Ms. Chan, among others, entered into the Deed of Non-Competition in favour of the Company. Pursuant to the Deed of Non-Competition, each of Mr. Zhao and Ms. Chan has given certain non-competition undertakings to the Company (for it and for the benefit of the members of the Group) that, he/she shall not, and he/she shall use his/her best efforts to procure that his/her associates and/or connected persons shall not, directly or indirectly, carry on, participate, be interested in or engaged or otherwise be involved, in any business which is involved in any activity (the "**Restricted Activity**"), conducted in the PRC or overseas, which is in competition with, or is likely to be in competition with, the business carried on by any member of the Group, from time to time during the restricted period set out in the Deed of Non-Competition.

Pursuant to the Deed of Non-Competition, each of Mr. Zhao and Ms. Chan has further undertaken that he/she shall first refer to the Company any investment or other business opportunity relating to the Restricted Activity that is identified by, or offered by a third party, to him/her or his/her associates or connected persons. Mr. Zhao and Ms. Chan or his/her associates or connected persons will be entitled to pursue such opportunity if he/she has received a notice from the Company declining the opportunity. The Company will seek approval from the independent non-executive Directors who do not have a material interest in the matter, as to whether to pursue or decline such opportunity.

The potential direct sales of medical masks by SZ Kingworld Lifeshine to customers who insist on entering into sales contracts with SZ Kingworld Lifeshine, which is the manufacturer of the medical masks, directly based on their own procurement policies (such as quality control consideration and minimising the number or parties involved in the transaction) will constitute Restricted Activities.

Mr. Zhao and Ms. Chan have referred to the Group the Restricted Activities in relation to the potential direct sales of medical masks by SZ Kingworld Lifeshine to customers. After considering all relevant information relating to the Restricted Activities (including but not limited to the nature and transaction amount of the business opportunities, the request from customers to enter into sales contracts with the manufacturer of the medical masks directly (instead of through a distributor), the terms of the Medical Masks Service Agreement and the Medical Masks Distribution Agreement), the independent non-executive Directors have resolved the Group to decline the business opportunities of the Restrictive Activities in relation to the potential direct sales of medical masks by SZ Kingworld Lifeshine and hence Mr. Zhao and Ms. Chan and his/her associates shall be entitled to engage in direct sales of medical masks by SZ Kingworld Lifeshine.

The Company will disclose information relating to the competing business of the Controlling Shareholders in accordance with the requirements under the Listing Rules in the annual report of the Company.

## **SUBSIDIARY BEING LISTED ON THE NAME LIST OF MEDICAL DEVICES AND SUPPLIES COMPANIES WITH CERTIFICATION/AUTHORISATION FROM OTHER COUNTRIES**

Due to the recent outbreak of the novel coronavirus (COVID-19), the PRC government has tightened the regulations regarding the export of certain medical devices and supplies. Only companies that are listed on the Name List of Medical Devices and Supplies Companies with Certification/Authorisation from other Countries (取得國外標準認證或註冊的醫療物資生產企業清單) may export certain medical devices and supplies.

The Board announces that the China Chamber of Commerce for Import & Export of Medicines & Health Products (中國醫藥保健品進出口商會) has listed SZ Dongdixin, a subsidiary of the Company, as one of the medical devices and supplies companies with certification or authorisation from other countries which is authorised to export infrared thermometers.

SZ Dongdixin is a manufacturer of medical devices and it has obtained various certifications and authorisation for the medical devices it manufactures and/or exports, including the certification issued by the Food and Drug Administration of the United States of America and CE marking for infrared thermometers.

## **ESTABLISHMENT OF A JOINT VENTURE COMPANY**

On 18 May 2020 (after trading hours), SZ Kingworld entered into the Share Transfer Agreement with Ms. Zhao in relation to the transfer of equity interest in SZ Shuxintang. Upon completion of the Share Transfer Agreement, SZ Shuxintang will be 40.8% held by SZ Kingworld, 39.2% held by SZ Kingworld Industry and 20% held by Ms. Zhao, respectively.

As (i) SZ Kingworld will control the majority of the board of directors of SZ Shuxintang; and (ii) SZ Shuxintang will be consolidated in the audited consolidated financial statements of the Company as a subsidiary pursuant to Hong Kong Financial Reporting Standards, SZ Shuxintang is a subsidiary of the Company.

SZ Shuxintang will engage in the provision of cultural and art exchange planning, exhibition and display services and public relations planning services for the purpose of strengthening corporate culture publicity and enhancing brand influence of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

SZ Kingworld is a wholly-owned subsidiary of the Company. SZ Kingworld Industry is ultimately 80% owned by Mr. Zhao and 20% owned by Ms. Chan, respectively. Both of Mr. Zhao and Ms. Chan are executive Directors and Controlling Shareholders of the Company. Therefore, SZ Kingworld Industry is a connected person of the Company. Ms. Zhao is the daughter of Mr. Zhao and Ms. Chan and is therefore a connected person of the Company.

Upon completion of the Share Transfer Agreement, SZ Shuxintang will be a joint venture arrangement formed by SZ Kingworld, SZ Kingworld Industry and Ms. Zhao, respectively and the formation of joint venture arrangement relating to SZ Shuxintang constitutes a connected transaction of the Company. As all of the applicable percentage ratios in respect of the consideration received by SZ Kingworld under the Share Transfer Agreement and the total capital injection by SZ Kingworld in SZ Shuxintang is less than 5% and the total amount of the consideration received by SZ Kingworld under the Share Transfer Agreement and the capital injection by SZ Kingworld in SZ Shuxintang is below HK\$3,000,000, the formation of the joint venture arrangement by SZ Kingworld, SZ Kingworld Industry and Ms. Zhao relating to SZ Shuxintang constitutes a fully exempt connected transaction under the de minimis exemption of Chapter 14A of the Listing Rules and is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements. The disclosure relating to the establishment of a joint venture relating to SZ Shuxintang in this announcement is made by the Company on a voluntary basis.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2020 SZ Kingworld Lifeshine Master Distribution Agreement”	the master distribution agreement dated 20 November 2019 entered into between SZ Kingworld and SZ Kingworld Lifeshine for the purchase of the SZ Kingworld Lifeshine Products for the three years ending 31 December 2022, as revised and supplemented by the supplemental agreement to the 2020 SZ Kingworld Lifeshine Master Distribution Agreement dated 24 December 2019 entered into between SZ Kingworld and SZ Kingworld Lifeshine
“2020 Yuen Tai Master Distribution Agreement”	the master distribution agreement dated 20 November 2019 entered into between HK Kingworld and Yuen Tai for the purchase of the Yuen Tai Products for the three years ending 31 December 2022, as revised and supplemented by the supplemental agreement to the 2020 Yuen Tai Master Distribution Agreement dated 24 December 2019 entered into between HK Kingworld and Yuen Tai
“Board”	the board of directors of the Company
“Company”	Kingworld Medicines Group Limited (金活醫藥集團有限公司), 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 to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Deed of Non-Competition”	the deed of non-competition entered into by, among others, Mr. Zhao and Ms. Chan in favour of the Company dated 5 November 2010. For details, please refer to the prospectus of the Company dated 12 November 2010
“Director(s)”	the director(s) of the Company
“Greater China”	the PRC, including Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Kingworld”	Kingworld Medicine Healthcare Limited (金活藥業健康發展有限公司), a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Morning Gold”	Morning Gold Medicine Company Limited (金辰醫藥有限公司), a limited liability company incorporated under the laws of Hong Kong
“Mr. Zhao”	Zhao Li Sheng (趙利生), the chairman, an executive Director, a co-founder and Controlling Shareholder of the Company
“Ms. Chan”	Chan Lok San (陳樂燊), an executive Director, a co-founder and Controlling Shareholder of the Company
“Ms. Zhao”	Zhao Weiyong (趙蔚瑛), daughter of Mr. Zhao and Ms. Chan, a connected person of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of the shares of the Company

“Share Transfer Agreement”	the share transfer agreement dated 18 May 2020 entered into between SZ Kingworld and Ms. Zhao in relation to the transfer of equity interest in SZ Shuxintang
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Medical Masks Distribution Agreement”	the master distribution agreement dated 18 May 2020 entered into between SZ Kingworld and SZ Kingworld Lifeshine for the purchase of medical masks for the period from 18 May 2020 to 31 December 2020
“Medical Masks Service Agreement”	the service agreement dated 18 May 2020 entered into between the Company and SZ Kingworld Lifeshine for the sales coordination and market research services in relation to the direct sales of medical masks by SZ Kingworld Lifeshine for the period from 18 May 2020 to 31 December 2020
“SZ Dongdixin”	Shenzhen Dongdixin Technology Co., Ltd. (深圳市東迪欣科技有限公司), a company established in the PRC with limited liability and a subsidiary of the Company
“SZ Kingworld”	Shenzhen Kingworld Medicine Company Limited* (深圳市金活醫藥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“SZ Kingworld Industry”	Shenzhen Kingworld Industry Limited* (深圳市金活實業有限公司), a company established in the PRC with limited liability
“SZ Kingworld Lifeshine”	Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited* (深圳金活利生藥業有限公司), a company established in the PRC with limited liability
“SZ Kingworld Lifeshine Products”	the products including but not limited to Kingworld Gan Mao Qing Capsule (金活感冒清膠囊) and products under the Kingworld American Ginseng series (金活洋參系列) and Imada Red Flower Oil (依馬打正紅花油) and other pharmaceutical and healthcare products manufactured by SZ Kingworld Lifeshine purchased or to be purchased by the Group from SZ Kingworld Lifeshine
“SZ Shuxintang”	Shenzhen Shuxintang Art and Culture Communication Limited* (深圳市舒心堂藝術文化傳播有限公司), a company established in the PRC with limited liability and a subsidiary of the Company
“Yuen Tai”	Yuen Tai Pharmaceuticals Limited (遠大製藥廠有限公司), a company incorporated under the laws of Hong Kong with limited liability

“Yuen Tai Products” certain pharmaceutical and healthcare products purchased or to be purchased by the Group from Yuen Tai including but not limited to (i) Fengbao Jianfu Capsule (鳳寶牌健婦膠囊); (ii) Pu Ji Kang Gan Granules (普濟抗感顆粒); and (iii) other products manufactured by Yuen Tai for digestion

“%” per cent

*The exchange rate adopted in this announcement is for illustration purpose only. Such conversion should not be construed as a representation that the currency could actually be converted at that rate.*

By order of the Board  
**Kingworld Medicines Group Limited**  
**Zhao Li Sheng**  
*Chairman*

Hong Kong, 18 May 2020

*As at the date of this announcement, the executive Directors are Mr. Zhao Li Sheng, Ms. Chan Lok San, and Mr. Zhou Xuhua, and the independent non-executive Directors are Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam.*

\* *For identification purposes only*