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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)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 55% EQUITY INTEREST IN SHENZHEN DONG DI XIN TECHNOLOGY COMPANY LIMITED*

THE COOPERATION AGREEMENT

The Board is pleased to announce that after trading hours on 8 May 2014, the Cooperation Agreement was entered into among the Purchaser, an indirect wholly-owned subsidiary of the Company, the Target Company and the Vendors, pursuant to which the parties have conditionally agreed to enter into the Transactions.

Pursuant to the Cooperation Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to transfer 55% equity interest in the Target Company for an aggregate consideration equivalent to 55% of the Target Value.

Upon completion of the Equity Transfer, equity interest in the Target Company will be owned as to 55% by the Purchaser and as to 45% by the Vendors in aggregate, and the Target Company will become a 55% indirectly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Equity Transfer exceed 25% but less than 100%, the Equity Transfer constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

The Extraordinary General Meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the Cooperation Agreement and the transactions contemplated thereunder. As no Shareholder has any interest in the Equity Transfer which is materially different from other Shareholders, no Shareholder is required to abstain from voting at the Extraordinary General Meeting on the resolution to approve the Cooperation Agreement and the transactions contemplated thereunder.

A circular containing, among other things:

(a) details of the Cooperation Agreement;

(b) financial information of the Group;

(c) financial information of the Target Group;

(d) a notice convening the Extraordinary General Meeting; and

(e) other information as required under the Listing Rules,

is expected to be despatched to the Shareholders on or before 31 July 2014 given additional time is required to prepare for the financial information of the Target Group.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 May 2014 in relation to entering into the Agreement of Intent.

The Board is pleased to announce that after trading hours on 8 May 2014, the Cooperation Agreement was entered into among the Purchaser, an indirect wholly-owned subsidiary of the Company, the Target Company and the Vendors, pursuant to which the parties have conditionally agreed to enter into the Transactions.

THE COOPERATION AGREEMENT

Date: 8 May 2014 (after trading hours)

Parties:
(i) the Purchaser;

(ii) the Target Company;

(iii) Zhao Zhigang; and

(iv) Zhao Wen.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Target Company and the Vendors is a third party independent of the Company and its connected persons.

The Reorganisation

Pursuant to the Cooperation Agreement, the Vendors shall procure Dundex Medical to purchase, and Zhao Zhigang to sell, 50,000 ordinary shares (representing 100% of the issued shares) in Caretalk for a total consideration of US$50,000 and on such terms and conditions as the Purchaser may agree.

Assets to be acquired

Subject to completion of the Reorganisation and fulfillment (or waiver if applicable) of the other Conditions Precedent, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to transfer 55% equity interest in the Target Company held by the Vendors in aggregate, of which Zhao Zhigang will transfer 38.5% equity interest in the Target Company and Zhao Wen will transfer 16.5% equity interest in the Target Company.

Consideration

The consideration for the Equity Transfer is equivalent to 55% of the Target Value. The consideration for the Equity Transfer will be paid by the Purchaser to the Vendors as soon as possible after the Completion Date and not later than 5 Business Days following the date on which the Vendors notify the Purchaser that the Vendors have opened a designated assets realisation account with the PRC foreign exchange authority.

The total consideration payable by the Purchaser for the Equity Transfer will be funded from internal financial resources of the Group and banking facilities.

Basis of consideration

The consideration for the Equity Transfer is arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to (among others):

(i) the Guaranteed Profits provided by the Vendors for the forthcoming years ending 31 December 2014, 2015 and 2016;

(ii) the estimated Adjusted 2013 Net Profits of approximately RMB28,000,000, which is determined based on the financial accounts of the Target Group which are available to the Purchaser as at the date of this announcement;

(iii) the price-to-earnings ratios of companies engaging in the business of manufacturing and sale of medical devices in the PRC and are listed on the Stock Exchange; and

(iv) the reasons for and benefits of the Equity Transfer as described in the paragraph headed "Reasons for and benefits of entering into the Cooperation Agreement".

Upon completion of the Equity Transfer, equity interest in the Target Company will be owned as to 55% by the Purchaser and as to 45% by the Vendors in aggregate, and the Target Company will become a 55% indirectly owned subsidiary of the Company.

Conditions precedent to the completion of the Equity Transfer

Completion of the Equity Transfer is conditional upon the fulfillment (or waiver in accordance with the terms of the Cooperation Agreement) of the following Conditions Precedent:

(1) the Purchaser has obtained all the necessary consents, licences, authorisations and approvals all consents, licences, authorisations and approvals from the board of directors, general meeting, the relevant governmental or regulatory institutions, authorities or bodies or any other third parties (including banks and/or financial institutions) in relation to the Transactions and the Transaction Documents, including but not limited to the passing by shareholders of all resolution(s) required under the Listing Rules to approve the Cooperation Agreement and the transactions contemplated thereunder at the Extraordinary General Meeting;

(2) the Vendors, the Target Company and Caretalk have obtained all the necessary consents, licences, authorisations and approvals in relation to the Transactions and the Transaction Documents, including but not limited to all consents, licences, authorisations and approvals from the board of directors, general meeting, the relevant governmental or regulatory institutions, authorities or bodies or any other third parties (including banks and/or financial institutions);

(3) approval by the Purchaser of the due diligence investigation results in relation to, including but not limited to, the corporate, assets, liabilities, contracts and business information of the Target Group;

(4) Dundex Medical and Zhao Zhigang have legally and validly completed the Reorganisation in accordance with the terms and conditions as agreed by the Purchaser and Dundex Medical has become the direct legal and beneficial owner of 100% issued shares in Caretalk;

(5) the Target Company has delivered to the Purchaser the following documents:

    (i) copy (certified by a director of Caretalk) of updated register of members of Caretalk showing that Dundex Medical is the sole shareholder of Caretalk;

    (ii) copy (certified by a director of Caretalk) of share certificate of the shares in Caretalk held by Dundex Medical; and

    (iii) updated certificate of good standing and certificate of incumbency issued by Caretalk's registered agent in the British Virgin Islands;

(6) the Purchaser has approved the Adjusted Audited Accounts and the Adjusted 2013 Net Profit is greater than zero;

(7) none of the equity interest, assets or business of any member of the Target Group is subject to any Material Adverse Effect as at the Completion Date;

(8) the equity interest of all member of the Target Group are true, lawful, free from encumbrance and transferrable as at the Completion Date;

(9) the title in the assets of any member of the Target Group is true, lawful, free from encumbrance and transferrable as at the Completion Date;

(10) none of the Vendors and the Target Company has breached any of their warranties as stipulated in the relevant Transaction Documents as at the Completion Date;

(11) none of the Vendors and the Target Company has breached any of their obligations as stipulated in the relevant Transaction Documents as at the Completion Date;

(12) save for any undistributed profits which are restricted from distribution pursuant to the terms of the Cooperation Agreement, any amount payable to or receivable from any shareholder of any member of the Target Group or any other receivables or payables of non-trade nature of the Target Group has been fully settled as at the Completion Date; and

(13) each of the Vendors has transfered their respective equity interest in the Target Company to the Purchaser at the same time.

Other than Conditions Precedent (1) and (2) above, any of the above Conditions Precedent can be waived in writing by the Purchaser.

The Purchaser (in respect of Condition Precedent (1) above) and the Vendors (in respect of the other Conditions Precedent) shall use their reasonable efforts to procure that Conditions Precedent (1) to (6) above are fulfilled not later than the CP Fulfillment Date and Conditions Precedent (7) to (13) above are fulfilled not later than the Completion Date.

If the Conditions Precedent are not fully satisfied (or waived in accordance with the terms of the Cooperation Agreement) by the CP Fulfillment Date, or if completion of the Equity Transfer does not take place by the Long Stop Date, the Cooperation Agreement may be terminated by the Purchaser. For details on the termination of the Cooperation Agreement, please refer to the section headed "Termination" in this announcement.

The Equity Transfer

As soon as possible after the Adjusted Audited Amounts have been approved by the Purchaser and not later than the CP Fulfillment Date, the Vendors shall confirm with the Purchaser the amount of the Target Value and the consideration for the Equity Transfer.

The Vendors shall, after the Adjusted Audited Accounts have been approved by the Purchaser and not later than the CP Fulfillment Date:

(1) enter into the Equity Transfer Agreement with the Purchaser;

(2) enter into the Joint Venture Agreement with the Purchaser; and

(3) procure the Target Company to adopt its articles of association which shall take effect from the Completion Date and in substance substantially the same as the Joint Venture Agreement, and in such form and substance as may be agreed between the Purchaser and the Vendors.

Management of the Target Company

Board composition

After completion of the Equity Transfer, the board of directors of the Target Company will comprise of five directors, of whom three will be appointed by the Purchaser and two will be appointed by the Vendors. The chairman of the board of directors, the legal representative and the chief financial officer of the Target Company will be appointed by the Purchaser.

Financing

Unless the Purchaser and the Vendors otherwise agree in writing,

(1) the Purchaser and the Vendors shall not contribute to the Target Company the whole (or any part thereof) of such additional funding in the form of registered capital contribution or any other means such that such contribution may result in any change in the Purchaser's (and/or its Affiliates') and the Vendors' shareholding percentage in the Target Company;

(2) if at any time after the Completion Date, the Target Company requires additional funding, the Purchaser and the Vendors shall consult with each other to reach decisions;

(3) if any funding involves increase of capital, the Purchaser and the Vendors shall agree to, and procure directors of the Target Company to vote in consent of the Purchaser and the Vendors increasing their respective capital contribution to the Target Company on a pro rata basis or otherwise so as to maintain their respective shareholding percentage in the Target Company.

Performance appraisal

The Purchaser and the Vendors have agreed to maintain the Vendor's relative independent operational autonomy of the Target Company during the Target Company's business operations. No material change shall be made to the existing staff management mechanism, remuneration mechanism and motivation mechanism of the Target Company.

Save for non-compliance with the relevant laws and regulations, the rules and regulations of the Target Company or the termination of agreements with relevant staff by the Target Company voluntarily, the existing core management of the Target Company (including but not limited to Zhao Zhigang and the general manager of the Target Company) will not be changed for at least four years from the Completion Date. Save as approved by resolutions of the board of directors of the Target Company, at least two-third of the existing key management of the Target Company shall remain in office within the abovementioned four-year period, and such arrangement will be implemented by the Target Company by entering into legal and valid non-competition agreements and other valid legal documents with the staff.

Distribution of profits

The Purchaser and the Vendors have agreed that profits of the Target Group shall be retained in the Target Group save that any Undistributed Profits for the year ending 31 December 2014 shall be distributed to the Purchaser and the Vendors in accordance with their respective shareholding percentage in the Target Company as at the Completion Date.

Post-completion undertakings

Restrictions on transfer

The Vendors, the Purchaser and the Target Company have agreed that:

(1) Within the Lock-up Period, shareholders of the Target Company shall not directly or indirectly transfer or encumber their respective equity interest in the Target Company to any parties (other than transfers to his/her/its Affiliates). After the expiry of the Lock-up Period, if the Purchaser or any of the Vendors proposes to transfer the whole or any part of his/her/its equity interest in the Target Company to any parties (other than transfers to his/her/its Affiliates), he/she/it shall send a prior written notice to the non-transferring shareholder of the Target Company and seek its written consent. If the non-transferring party agrees to the transfer, he/she/it (or his/her/its Affiliates) shall have the pre-emption right based on the same terms and conditions (including but not limited to the transfer price and the time and method of payment). Where the non-transferring party (or his/her/its Affiliates) is unable to exercise the pre-emption right under the PRC laws or as a result of any restriction imposed by competent authorities, the non-transferring party has the right to designate another party to acquire such equity interest.

(2) The Purchaser and the Vendors have the right to transfer the whole or part of their respective equity interest in the Target Company to their respective Affiliates and the Target Company shall agree to such transfer and the Purchaser and the Vendors shall ensure the board of directors of the Target Company agree to such transfer. The Purchaser and the Vendors also agree to waive the pre-emption right he/she/it may have under applicable laws and/or the articles of association of the Target Company in such regard.

Separate listing of the Target Company

The Purchaser and the Vendors have agreed to initiate and conduct the separate listing of the business of the Target Group if the Target Company has reached all of the Guaranteed Profits, and subject to the Target Company meeting the requirements of the relevant stock exchange.

In addition, after the aforesaid proposed separate listing of the Target Group, subject to applicable rules of relevant stock exchange and requirements of relevant laws, regulations and codes and the Purchaser and the Vendors agreeing on the terms of such transfer, the Purchaser may sell part of its equity interest in the Target Company to the Vendors.

Profits guaranteed by the Vendors

Pursuant to the Cooperation Agreement, the Vendors have guaranteed to the Purchaser that the Net Profit will reach no less than the following amounts:

(1) for the year ending 31 December 2014, the lesser of: (i) 110% of the Adjusted 2013 Net Profit; and (ii) RMB31,000,000;

(2) for the year ending 31 December 2015, the lesser of: (i) 121% of the Adjusted 2013 Net Profit; and (ii) RMB34,000,000; and

(3) for the year ending 31 December 2016, the lesser of: (i) 133.1% of the Adjusted 2013 Net Profit; and (ii) RMB38,000,000.

(the figures listed in items (1) to (3) above are together referred to as the "**Guaranteed Profits**")

The Vendors and the Target Company have irrevocably agreed that:

(1) If the Target Company fails to reach the respective Guaranteed Profits for the years ending 31 December 2014, 2015 or 2016 (as the case may be), the Vendors shall jointly and severally make cash reimbursement to the Target Company within 15 Business Days of the issuance of the audited accounts of the Target Company for the relevant year, the amount being the difference between the actual Net Profit and the Guaranteed Profits for that year. If the actual Net Profit is a negative figure, then for the purposes of reimbursement, the reimbursement payable by the Vendors shall be in the amount of the Guaranteed Profits for the relevant year (the "**Target Co Reimbursed Amount**").

(2) If the Vendors fail to pay the Target Co Reimbursed Amount to the Target Company in accordance with (1) above, then the Vendors shall make cash reimbursement to the Purchaser within 18 Business Days from the date of issuance of the audited accounts of the Target Company for the relevant year, in the amount calculated from the following formula (the "**Purchaser Reimbursed Amount**"):

Purchaser Reimbursed Amount	=	Target Co Reimbursed Amount	x	the Purchaser's equity interest percentage in the Target Company

(3) if the Vendors fail to pay the Target Co Reimbursed Amount and the Purchaser Reimbursed Amount in accordance with (1) and (2) above, then the Purchaser has discretion to elect to, within 21 Business Days of the date of issuance of the audited accounts of the Target Company for the relevant year, deduct the Purchaser Reimbursed Amount from the Undistributed Profit (if any) attributable to the Vendors based on the proportion of equity interest he/she holds in the Target Company, or in accordance with the request of the Purchaser, settle the Purchaser Reimbursed Amount by transferring equity interest held by the Vendors in the Target Company to the Purchaser or any of the Company's subsidiary(ies) it may designate:

$$\text{Proportion of transferred equity interest (\%)} = \frac{\text{Purchaser Reimbursed Amount}}{\text{net assets of the Target Company as shown in the audited accounts of the Target Company for the relevant year and in RMB equivalent}} \times 100\%$$

The Company will comply with the relevant Listing Rules requirements in the event of the transfer of equity interest in the Target Company pursuant to the terms above.

Non-disposal Undertakings

The Target Company has agreed that, save for transactions contemplated under the Transactions, it shall not dispose of all or part of its direct or indirect equity interest in any member of the Target Group through transfer, pledge, creation of security interest or other encumbrance, or any other means at any time from the date of the Cooperation Agreement until the date on which all obligations in connection with the Guaranteed Profits have been fully discharged by the Vendors.

The Vendors have agreed that they shall not dispose of all or part of his/her equity interest in the Target Company through transfer, pledge, creation of security interest or other encumbrance, or any other means at any time from the date of the Cooperation Agreement until the date on which all obligations in connection with the Guaranteed Profits have been fully discharged by the Vendors.

Non-Competition Undertaking

The Vendors have undertaken that, from the date of the Cooperation Agreement and until the Completion Date, he/she will not directly or indirectly engage in, or assist any other party to engage in, any business that may be identical or similar to that of the Company and its subsidiaries or that of the Target Company and its subsidiaries.

The Purchaser has also undertaken that, from the date of the Cooperation Agreement and until the Completion Date, it will not directly or indirectly engage in, or assist any other party to engage in, any business that may be identical or similar to that of the Target Company and its subsidiaries.

Each of the Vendors has undertaken that he/she will not and will procure his/her respective connected persons not to participate or commence any Restricted Business and/or connected transaction(s), or to have any interest in the Restricted Business, whether directly or indirectly, by himself/herself or with any other person and/or any parties in any way after the Completion Date.

Termination

At any time before the Completion Date, the Cooperation Agreement may be terminated by:

(1) the Purchaser, if any of the following circumstances occurs prior to the Completion Date:

(i) the Vendors or the Target Company fail to comply in a timely manner with their warranties and/or the covenants, undertakings or agreements under the Cooperation Agreement;

(ii) the transfer of equity interest by the Vendors or the Target Company for the benefit of its/his/her creditors, or any legal proceedings initiated by or against the Vendors and/or the Target Company in relation to the laws of bankruptcy or insolvency, adjudication or possible adjudication of the Vendors and/or the Target Company as bankrupt or insolvent, or seeking to rearrange, adjust, protect, relieve and combine the debts of the Vendors and/or the Target Company;

(iii) the Conditions Precedent are not fully satisfied (or waived in accordance with the terms of the Cooperation Agreement) by the CP Fulfillment Date;

(iv) the completion of the Equity Transfer does not take place by the Long Stop Date; or

(v) the Vendors or any member of the Target Group fails to fully resolve problems discovered by the Purchaser in due diligence investigation within 15 days after the Purchaser so requests in writing; or

(2) written agreement of the parties to the Cooperation Agreement.

If the Cooperation Agreement is terminated in accordance with (1) above, the Cooperation Agreement shall immediately cease to have validity, provided that such termination shall not affect the rights of each party against any other party in connection with any breach that has arisen before termination.

INFORMATION ON THE COUNTERPARTIES

Zhao Zhigang, being one of the Vendors, is the chairman of and the holder of 70% equity interest in the Target Company as at the date of this announcement.

Zhao Wen, being another Vendor, is the holder of 30% equity interest in the Target Company as at the date of this announcement.

INFORMATION ON THE TARGET GROUP

Information on the Target Group

As at the date of this announcement, members of the Target Group are:

(1) the Target Company;

(2) Zhilang Jinggong;

(3) Dundex Medical; and

(4) Caretalk, 100% issued shares of which is owned by Zhao Zhigang, and shall become an indirect wholly-owned subsidiary of the Target Company following completion of the Reorganisation.

The Target Group is principally engaged in the business of research and development, manufacturing and sales of medical devices, as well as a high new technology application and biological science. The products of the Target Group include physical rehabilitation physiotherapy instruments and general diagnosis instruments, including but not limited to electrical stimulation therapeutic apparatus, ultrasonic therapeutic apparatus, magnetism therapeutic apparatus, professional physical panel therapeutic apparatus and phonetic thermometer, etc.

Caretalk principally engages in the overseas sales and distribution of products manufactured by the Target Company.

Financial information on the Target Group

For the two financial years ended 31 December 2012 and 2013 respectively, the net profit before and after taxation of the Target Company prepared based on the PRC GAAP were as follows:

	For the year ended 31 December 2012 *RMB* *(audited)*	**For the year ended 31 December 2013** *RMB* *(audited)*
Profit before taxation	10,952,453.42	30,243,297.56
Profit after taxation	9,343,376.07	25,706,802.93

The audited net assets of the Target Company prepared based on the PRC GAAP as at 31 December 2013 was RMB50,613,699.85.

For the period from 17 October 2012 (date of incorporation of Zhilang Jinggong to 31 December 2012 and the financial year ended 31 December 2013 respectively, the net profit / (loss) before and after taxation of Zhilang Jinggong prepared based on the PRC GAAP were as follows:

	For the period from 17 October 2012 to 31 December 2012 *RMB* *(audited)*	**For the year ended 31 December 2013** *RMB* *(audited)*
Profit / (loss) before taxation	(2,131.00)	374,040.36
Profit / (loss) after taxation	(2,131.00)	281,063.02

The audited net assets of Zhilang Jinggong prepared based on the PRC GAAP as at 31 December 2013 was RMB2,649,932.02.

For the period from 1 June 2012 (date of incorporation of Dundex Medical) to 31 December 2013, subject to a qualified opinion of the reporting accountant in relation to the non-preparation of a complete set of financial statements annually, the net loss before and after taxation of Dundex Medical prepared based on the SME-FRS were as follows:

	For the period from 1 June 2012 to 31 December 2013 *HKD* *(audited)*
(Loss) before taxation	(33,384.42)
(Loss) after taxation	(33,384.42)

The audited net assets of Dundex Medical prepared based on the SME-FRS as at 31 December 2013 was HKD741,805.58.

For the two financial years ended 31 December 2012 and 2013 respectively, the net profit before and after taxation of Caretalk prepared based on the PRC GAAP were as follows:

	For the year ended 31 December 2012 *RMB* *(unaudited)*	**For the year ended 31 December 2013** *RMB* *(unaudited)*
Profit before taxation	16,855,525.07	2,426,442.25
Profit after taxation	16,855,525.07	2,426,442.25

The unaudited net assets of Caretalk prepared based on the PRC GAAP as at 31 December 2013 was RMB1,708,489.14.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

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

To seek for more business opportunities and to maximise return to the Company and the Shareholders in the long run, the Directors are of the view that the entering into of the Cooperation Agreement and the transactions contemplated thereunder can create a good opportunity for the Group to expand its business into the markets of manufacturing and sales of medical devices, to enhance the Group's revenue source, and to create a synergy effect with the existing business of the Group. More specifically, the Board considers that:

1. The rapid development of wearable medical devices will lead a significant change in the medical sector in future. The flagship product of the Target Group, "hand-held medical instrument" will benefit from this medical development trend.

2. The Target Group has an overseas sales network, upon completion of the Equity Transfer, the Group will expand into the global medical and health electronic product markets to enlarge the health segment.

3. Diversification of products and modes of profits will be realized from the Equity Transfer to build up a full industrial chain structure of research and development — manufacturing — channels — end terminal under one roof.

4. It is expected the Equity Transfer will help enhance the source of revenue and scale of sales of the Group.

5. The Target Group has a strong distribution network in the PRC with over 70,000 pharmacies across the nation as well as 2,500 product specialty counters. After completion of the Equity Transfer, the Target Group's products will be distributed through the Group's network and create further room for growth in the domestic market, a significant synergy is expected to arise as a result.

The Directors consider that the terms of the Cooperation Agreement (including the consideration for the Equity Transfer) and the Transactions are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Equity Transfer exceed 25% but less than 100%, the Equity Transfer constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

The Extraordinary General Meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the Cooperation Agreement and the transactions contemplated thereunder. As no Shareholder has any interest in the Equity Transfer which is materially different from other Shareholders, no Shareholder is required to abstain from voting at the Extraordinary General Meeting on the resolution to approve the Cooperation Agreement and the transactions contemplated thereunder.

A circular containing, among other things:

(a) details of the Cooperation Agreement;

(b) financial information of the Group;

(c) financial information of the Target Group;

(d) a notice convening the Extraordinary General Meeting; and

(e) other information as required under the Listing Rules,

is expected to be despatched to the Shareholders on or before 31 July 2014 given additional time is required to prepare for the financial information of the Target Group.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Affiliate(s)"	with respect to any person, another person directly or indirectly controlling that person or being controlled by that person, or a person who is under the common direct or indirect control with that person (where "control" means the power to directly or indirectly direct the management and decision-making of a person, whether through ownership or voting rights, contract or otherwise, and "controlling" and "being controlled" shall be construed accordingly). For the avoidance of doubt, an Affiliate of the Purchaser includes the Company and its subsidiaries
"Agreement of Intent"	the non-legally binding agreement of intent dated 3 May 2014 entered into between the Company and Zhao Zhigang (for himself and for and on behalf of Zhao Wen) in relation to the Transactions
"Adjusted 2013 Net Profit"	net profit of the Target Group for the year ended 31 December 2013 determined by adjusting the Unadjusted 2013 Net Profit by the Adjustment
"Adjusted Audited Accounts"	audited consolidated financial statements of the Target Group for the year ended 31 December 2013 which have been prepared based on the HKFRS and adjusted by the Adjustment, and in form and substance approved by the Purchaser
"Adjustment"	retrospective adjustment made in accordance with the HKFRS to the audited consolidated financial statements of the Target Company, Dundex Medical and Zhitang Jinggong for the year ended 31 December 2013 for the purpose of reflecting the Reorganisation and the difference between the PRC GAAP and the HKFRS
"Auditor"	the auditing firm in Hong Kong engaged by the Company
"Board"	the board of directors of the Company

"Business Day(s)"	any day other than Saturday, Sunday, public holiday in the PRC or days on which normal commercial banks in the PRC have the right to or must close for banking business in accordance with the laws of the PRC
"Business Licence"	the enterprise legal person business licence (營業執照) of the Target Company in compliance with the business scope as issued, amended and replaced from time to time by the Industry and Commerce Authority
"Caretalk"	Caretalk Technology Co., Ltd.，a company incorporated in the British Virgin Islands, 100% issued capital of which is legally and beneficially owned by Zhao Zhigang as at the date of this announcement
"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
"Completion Date"	the date on which the Purchaser is registered by the Industry and Commerce Authority as the shareholder holding 55% of the equity interest in the Target Company in accordance with the Equity Transfer Agreement and the Target Company obtains the sino-foreign joint venture business licence, which shall not be later than the Long Stop Date
"Condition(s) Precedent"	any or all of the conditions precedents set out in the section headed "Conditions precedent to the completion of the Equity Transfer" in this announcement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Cooperation Agreement"	the cooperation agreement dated 8 May 2014 entered into among the Purchaser, the Target Company and the Vendors in relation to the Transactions
"CP Fulfillment Date"	30 September 2014 (or such other date as the parties to the Cooperation Agreement may agree in writing)

"Director(s)"	the director(s) of the Company
"Dundex Medical"	Dundex Medical (H.K.) Limited, a company incorporated in Hong Kong, 100% issued capital of which is legally and beneficially owned by the Target Company as at the date of this announcement
"Equity Transfer"	the transfer of 55% equity interest in aggregate (as to 38.5% from Zhao Zhigang and 16.5% from Zhao Wen) from the Vendors to the Purchaser
"Equity Transfer Agreement"	the equity transfer agreement to be entered into among the Purchaser and the Vendors in such form and substance agreed between the Purchaser and the Vendors in relation to the Equity Transfer, the term thereof shall not substantively contradict with the Cooperation Agreement
"Extraordinary General Meeting"	the extraordinary general meeting of the Company proposed to be convened, and any adjournment thereof, for the purpose of approving the Cooperation Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries from time to time
"Guaranteed Profits"	has the meaning ascribed to it under the section headed "Profits guaranteed by the Vendors" in this announcement
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Industry and Commerce Authority"	the State Administration for Industry and Commerce, or its local division or any successor government institution or agency empowered to issue the Business Licence

"Joint Venture Agreement"	the joint venture agreement in relation to the Target Company to be entered into among the Purchaser and the Vendors in such form and substance agreed between the Purchaser and the Vendors, the term thereof shall not substantively contradict with the Cooperation Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lock-up Period"	the three-year period commencing from (and including) the Completion Date
"Long Stop Date"	31 December 2014 (or such other date as the parties to the Cooperation Agreement may agree in writing)
"Material Adverse Effect"	any fact, incident, change or effect or reasonable expectation on the operation, business, assets, obligation, financial status or operation result of any member of the Target Group that causes the direct loss equivalent or exceeding 10% of the net assets of that member of the Target Group
"Net Profit"	the consolidated net profit after tax of the Target Group generated from its business operations for such period as shown in the audited consolidated financial statements of the Target Group prepared and issued by the Auditor based on the HKFRS for a specific period
"PRC"	the People's Republic of China, and for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC GAAP"	the Generally Accepted Accounting Principles of the PRC
"Purchaser"	Kingworld (Hong Kong) Holdings Limited (金活(香港)控股有限公司), a limited liability company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
"Regions"	Hong Kong, the PRC and other regions where members of the Target Group and/or the Company and its subsidiaries carry on business from time to time

"Reorganisation"	the acquisition by Dundex Medical of 100% of the issued shares in Caretalk from Zhao Zhigang
"Restricted Business"	any business in the Regions that may be directly or potentially be in competition with that of any member of the Target Group and/or the Group, which includes without limitation, research and development, manufacturing, procurement, wholesaling and retailing of medicines, medical devices, healthcare food and ordinary food
"RMB"	Reminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange
"SME-FRS"	the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants
"Shareholders"	the holders of the Shares
"Shares"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Shenzhen Dong Di Xin Technology Company Limited* (深圳市東迪欣科技有限公司), a limited liability company established in the PRC
"Target Group"	the Target Company and its subsidiaries and, for the purpose of the Cooperation Agreement, include Caretalk (each being a "member of the Target Group")
"Target Value"	the lesser of: (1) the Adjusted 2013 Net Profit multiplied by a factor of 13; and (2) RMB364,000,000
"Transactions"	the transactions contemplated under the Transaction Documents

"Transaction Documents"	(1) the Cooperation Agreement; (2) the Equity Transfer Agreement; (3) the Joint Venture Agreement; and (4) the articles of association of the Target Company which takes effect from the Completion Date
"Unadjusted 2013 Net Profit"	the sum of: (1) audited net profits of the Target Company for the year ended 31 December 2013 prepared based on the PRC GAPP; (2) audited net profits of Zhilang Jinggong for the year ended 31 December 2013 prepared based on the PRC GAPP; and (3) audited net profits of Dundex Medical for the year ended 31 December 2013 prepared based on the SME-FRS
"Undistributed Profit"	the distributable profit generated from the business operated by the Target Group and not yet distributed to their respective shareholders
"US$"	US dollars, the lawful currency of the United States of America
"Vendors"	Zhao Zhigang and Zhao Wen individually and collectively
"Zhao Wen"	Ms. Zhao Wen (趙雯), the holder of 30% of the equity interest in the Target Company as at the date of this announcement
"Zhao Zhigang"	Mr. Zhao Zhigang (趙志剛), the chairman and holder of 70% of the equity interest in the Target Company as at the date of this announcement

"Zhilang Jinggong"	Shenzhen Zhilang Jinggong Technology Company Limited* (深圳市志朗精工科技有限公司), a company incorporated in the PRC and owned as to 51% by the Target Company and 49% in aggregate by four individuals as at the date of this announcement
"%"	per cent

**Unofficial transliteration from Chinese name for identification purposes only*

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

Hong Kong, 8 May 2014

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