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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)

CONTINUING CONNECTED TRANSACTIONS

**PROPOSED ANNUAL CAPS
FOR THE THREE YEARS ENDING 31 DECEMBER 2026**

Reference is made to the announcements of the Company dated 1 April 2021, 26 April 2021 and 6 May 2021 and the circular of the Company dated 10 May 2021 in respect of the continuing connected transactions with Yuen Tai and SZ Kingworld Lifeshine contemplated under the 2021 Yuen Tai Master Distribution Agreement and the 2021 SZ Kingworld Lifeshine Master Distribution Agreement, respectively.

2024 YUEN TAI MASTER DISTRIBUTION AGREEMENT AND 2024 SZ KINGWORLD LIFESHINE MASTER DISTRIBUTION AGREEMENT

In view of the prospective expiry of the 2021 Yuen Tai Master Distribution Agreement and the 2021 SZ Kingworld Lifeshine Master Distribution Agreement, on 15 December 2023 (after trading hours), (1) HK Kingworld, a wholly-owned subsidiary of the Company, entered into the 2024 Yuen Tai Master Distribution Agreement with Yuen Tai for the purchase of the Yuen Tai Products for a term commencing from 1 January 2024 or the date on which the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive), and (2) SZ Kingworld, a wholly-owned subsidiary of the Company, entered into the 2024 SZ Kingworld Lifeshine Master Distribution Agreement with SZ Kingworld Lifeshine for the purchase of the SZ Kingworld Lifeshine Products for a term commencing from 1 January 2024 or the date on which the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

Both Yuen Tai and SZ Kingworld Lifeshine are companies 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, each of Yuen Tai and SZ Kingworld Lifeshine is a connected person of the Company and the transactions under each of the 2024 Master Distribution Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the transactions contemplated under the 2024 Master Distribution Agreements are to be made with Yuen Tai and SZ Kingworld Lifeshine, and these two companies are indirectly wholly-owned by Mr. Zhao and Ms. Chan, such transactions shall be aggregated in accordance with Rule 14A.81 of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the aggregate of the proposed annual caps for the transactions contemplated under the 2024 Master Distribution Agreements is/are expected to exceed 5%, the transactions under the 2024 Master Distribution Agreements are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders, and the Independent Board Committee has been established to advise the Independent Shareholders in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

A circular containing, among other things, (i) details of the transactions under each of the 2024 Master Distribution Agreements as set out in this announcement and the proposed annual caps thereof; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the 2024 Master Distribution Agreements and the proposed annual caps thereof; (iii) recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) the notice convening the EGM will be despatched to the Shareholders on or before 10 January 2024, which is within 15 Business Days after the publication of this announcement.

A. BACKGROUND

Reference is made to the announcements of the Company dated 1 April 2021, 26 April 2021 and 6 May 2021 and the circular of the Company dated 10 May 2021 in respect of the continuing connected transactions with Yuen Tai and SZ Kingworld Lifeshine contemplated under the 2021 Yuen Tai Master Distribution Agreement and the 2021 SZ Kingworld Lifeshine Master Distribution Agreement, respectively.

In view of the prospective expiry of the 2021 Yuen Tai Master Distribution Agreement and the 2021 SZ Kingworld Lifeshine Master Distribution Agreement, on 15 December 2023 (after trading hours), (1) HK Kingworld, a wholly-owned subsidiary of the Company, entered into the 2024 Yuen Tai Master Distribution Agreement with Yuen Tai for the purchase of the Yuen Tai Products for a term commencing from 1 January 2024 or the date on which the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive), and (2) SZ Kingworld, a wholly-owned subsidiary of the Company, entered into the 2024 SZ Kingworld Lifeshine Master Distribution Agreement with SZ Kingworld Lifeshine for the purchase of the SZ Kingworld Lifeshine Products for a term commencing from 1 January 2024 or the date on which the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

Details of the 2024 Master Distribution Agreements are as follows:

B. 2024 YUEN TAI MASTER DISTRIBUTION AGREEMENT

1. Date: 15 December 2023

2. Parties:

(a) HK Kingworld, a wholly-owned subsidiary of the Company

(b) Yuen Tai

3. Description of the transactions:

Pursuant to the 2024 Yuen Tai Master Distribution Agreement, HK Kingworld or a wholly-owned subsidiary of the Company shall purchase the Yuen Tai Products from Yuen Tai and HK Kingworld shall act as the exclusive distributor for distribution of the Yuen Tai Products in the Greater China.

4. Condition precedent:

The 2024 Yuen Tai Master Distribution Agreement shall take effect subject to and conditional upon obtaining the Independent Shareholders' approval in respect of the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement.

5. Term:

The 2024 Yuen Tai Master Distribution Agreement is for a term commencing from 1 January 2024 or the date on which the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

6. Pricing and payment terms:

The 2024 Yuen Tai Master 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 Yuen Tai Products are to be purchased by the Group should be on normal commercial terms and, where there is comparable product available in the market, should be 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 Yuen Tai Products to be purchased by the Group will be based on the prevailing market prices of similar products (based on the ingredients and formulae of the products) and the unit prices of the Yuen Tai Products from time to time and will be no less favourable to the Group than those terms offered by other independent third parties suppliers, where there is comparable product available in the market. If price comparison is not applicable, the price offered by Yuen Tai would be accepted by the Group if a minimum gross profit margin can be met to ensure the Group will make profit from the distribution of the Yuen Tai Products.

The actual amounts, types, unit prices, delivery dates and methods of delivery of the Yuen Tai Products to the Group will be subject to individual orders placed by the Group and accepted by Yuen Tai. To the extent that a comparison can be made (subject to similar nature based on the ingredients and formulae of the products), quality, quantity of purchase and conditions of the products and/or services), the Company and/or HK 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 Yuen Tai are fair and reasonable, and are similar to or more favourable than those offered by the independent third party(ies). As the Group is the exclusive distributor for distribution of the Yuen Tai Products in the Greater China, the Yuen Tai Products are exclusively sold to the Group by Yuen Tai. The Yuen Tai Products are unique in terms of ingredients and formula. To the best knowledge of the Company, for all the Yuen Tai Products, there is no comparable product with the same ingredients and/or formula available in the market which the Company can use for price comparison.

Given price comparison is not available for the Yuen Tai Products, the Group will only accept the price if a minimum gross profit margin can be met to ensure the Group will make profit from the distribution of the Yuen Tai Products. In addition, under the 2024 Yuen Tai Master Distribution Agreement, 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 and the Group is not obliged to purchase products from Yuen Tai if other independent suppliers are able to offer comparable products to the Group at more favourable terms.

There are no pre-defined selling prices of the Yuen Tai Products in the 2024 Yuen Tai Master Distribution Agreement. In general, Yuen Tai will provide the Group with fee quotes on the Yuen Tai Products on an annual basis. If the fee quotes on the Yuen Tai Products are acceptable by the Group after the Group has conducted price comparison (if comparable product is available in the market) and/or meet a minimum gross profit margin, the price set out in the fee quote will be set as the actual unit price of the Yuen Tai Products in the purchase orders to be placed with Yuen Tai. If the fee quote is not accepted by the Group, the Group will re-negotiate with Yuen Tai on the price of the Yuen Tai Products based on the pricing policies set out above.

40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an 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. The Group will only place orders with Yuen Tai upon receiving purchase orders from its customers.

7. Historical transaction amounts:

Set out below are the historical transaction amounts between the Group and Yuen Tai in respect of the purchase and distribution of Yuen Tai Products under the 2021 Yuen Tai Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022 and the unaudited actual transaction amount for the nine months ended 30 September 2023; and the annual caps under the 2021 Yuen Tai Master Distribution Agreement for the years ended 31 December 2021, 31 December 2022 and 31 December 2023:

	Audited transaction amount for the year ended 31 December 2021	Annual cap for the year ended 31 December 2021	Audited transaction amount for the year ended 31 December 2022	Annual cap for the year ended 31 December 2022	Unaudited transaction amount for the nine months ended 30 September 2023	Annual cap for the year ending 31 December 2023
Purchase of Yuen Tai Products	-	HK\$5,620,000	HK\$114,000	HK\$10,700,000	HK\$3,083,000	HK\$11,770,000
	-	RMB4,734,000	RMB97,000	RMB9,014,000	RMB2,613,000	RMB9,915,000

8. Proposed annual caps:

Set out below are the proposed annual caps under the 2024 Yuen Tai Master Distribution Agreement for the three years ending 31 December 2026:

	Annual cap for the year ending 31 December 2024	Annual cap for the year ending 31 December 2025	Annual cap for the year ending 31 December 2026
Purchase of Yuen Tai Products	HK\$4,032,000	HK\$5,707,000	HK\$8,981,000
	<i>(equivalent to approximately)</i>		
	RMB3,417,000	RMB4,837,000	RMB7,611,000

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

- (i) the historical figures of the actual transaction amounts of the transactions under the 2021 Yuen Tai Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022; and the unaudited actual transaction amount for the nine months ended 30 September 2023. The Directors are of the view that the low transaction amount under the 2021 Yuen Tai Master Distribution Agreement was mainly due to the outbreak of COVID-19 pandemic (the “**Pandemic**”) and termination of the sales contract with a distributor in 2022. Also, the Company took time to adjust its sales channel including a more diligent approach to investigate the new distributors in 2023. In addition, pursuant to “Notice on Issuing the 2023 Key Points for Correcting Malpractices in Medical Purchase and Sales and Medical Services”* (關於印發2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知) dated 10 May 2023 issued by the Department of Medical Emergency Management* (醫療應急司), the purchase and sales practices in the pharmaceutical and medical field have been restricted by the government and hence the hospital had suspended the purchase of certain products including Yuen Tai Products, as they are considered as non-basic medical products. However, the sales would be distributed on platforms without violating the above restriction and guideline advised by the government in the coming three years and hence the sales and purchase of Yuen Tai Products are expected to resume; and

- (ii) the expected demand for different pharmaceutical and healthcare products from customers based on the three-year sales forecast received from the Group's main distributor.

The proposed annual caps are calculated by multiplying the planned purchase quantity by the estimated unit price of the products.

C. 2024 SZ KINGWORLD LIFESHINE MASTER DISTRIBUTION AGREEMENT

1. Date: 15 December 2023

2. Parties:

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

3. Description of the transactions:

Pursuant to the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, SZ Kingworld or a wholly-owned subsidiary of the Company shall purchase the SZ Kingworld Lifeshine Products from SZ Kingworld Lifeshine and SZ Kingworld shall act as the exclusive distributor for distribution of the SZ Kingworld Lifeshine Products in the Greater China.

4. Condition precedent:

The 2024 SZ Kingworld Lifeshine Master Distribution Agreement shall take effect subject to and conditional upon obtaining the Independent Shareholders' approval in respect of the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement.

5. Term:

The 2024 SZ Kingworld Lifeshine Master Distribution Agreement is for a term commencing from 1 January 2024 or the date on which the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

6. Pricing and payment terms:

The 2024 SZ Kingworld Lifeshine Master 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 SZ Kingworld Lifeshine Products are to be purchased by the Group should 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 SZ Kingworld Lifeshine Products to be purchased by the Group will be based on the prevailing market prices of similar products (based on the ingredients and formulae of the products) and the unit prices of the SZ Kingworld Lifeshine Products as from time to time and will be no less favourable to the Group than those terms offered by other independent third parties suppliers, where there is comparable product available in the market. If price comparison is not applicable, the price offered by SZ Kingworld Lifeshine would be accepted by the Group if a minimum gross profit margin can be met to ensure the Group will make profit from the distribution of the SZ Kingworld Lifeshine Products.

The actual amounts, types, unit prices, delivery dates and methods of delivery of the SZ Kingworld Lifeshine Products 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 (based on the ingredients and formulae of the products), quality, quantity of purchase and conditions of the products and/or services), the Company and/or SZ Kingworld shall conduct research on the market price of similar products sold by other independent third parties and 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). In addition, under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, 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 and the Group is not obliged to purchase products from SZ Kingworld Lifeshine if other independent suppliers are able to offer comparable products to the Group at more favourable terms.

There are no pre-defined selling prices of the SZ Kingworld Lifeshine Products in the 2024 SZ Kingworld Lifeshine Master Distribution Agreement. In general, SZ Kingworld Lifeshine will provide the Group with fee quotes on the SZ Kingworld Lifeshine Products on an annual basis. If the fee quotes on the SZ Kingworld Lifeshine Products are acceptable by the Group after the Group has conducted price comparison (if comparable product is available in the market) and/or meet a minimum gross profit margin, the price set out in the fee quote will be set as the actual unit price of the SZ Kingworld Lifeshine Products in the purchase orders to be placed with SZ Kingworld Lifeshine. If the fee quote is not accepted by the Group, the Group will re-negotiate with SZ Kingworld Lifeshine on the price of the SZ Kingworld Lifeshine Products based on the criterion set out above.

40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an 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. The Group will only place orders with SZ Kingworld Lifeshine upon receiving purchase orders from its customers.

Since the Group is the exclusive distributor of the SZ Kingworld Lifeshine Products in the Greater China, SZ Kingworld Lifeshine only manufactures and sells its Imada Red Flower Oil to the Group. Therefore, the deposit of the purchase price is necessary for SZ Kingworld Lifeshine to procure new materials and for the payment of expenses in relation to the manufacturing of the pharmaceutical and healthcare products. When compared with the purchase contracts in relation to pharmaceutical and healthcare products which the Group entered into with other independent suppliers in 2022 and 2023, it is a common practice for suppliers to require payment of deposits upon ordering from the Group.

7. Historical transaction amounts:

Set out below are the historical transaction amounts between the Group and SZ Kingworld Lifeshine in respect of the purchase and distribution of SZ Kingworld Lifeshine Products under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022 and the unaudited actual transaction amount for the nine months ended 30 September 2023; and the annual caps under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the years ended 31 December 2021, 31 December 2022 and 31 December 2023:

	Audited transaction amount for the year ended 31 December 2021	Annual cap for the year ended 31 December 2021	Audited transaction amount for the year ended 31 December 2022	Annual cap for the year ended 31 December 2022	Unaudited transaction amount for the nine months ended 30 September 2023	Annual cap for the year ending 31 December 2023
Purchase of SZ Kingworld Lifeshine Products	HK\$33,801,000	HK\$46,510,000	HK\$37,320,000 <i>(equivalent to approximately)</i>	HK\$52,564,000	HK\$18,024,000	HK\$62,061,000
	RMB28,645,000	RMB39,180,000	RMB31,627,000	RMB44,280,000	RMB15,275,000	RMB52,280,000

8. Proposed annual caps:

Set out below are the proposed annual caps under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement for the three years ending 31 December 2026:

	Annual cap for the year ending 31 December 2024	Annual cap for the year ending 31 December 2025	Annual cap for the year ending 31 December 2026
Purchase of SZ Kingworld Lifeshine Products	HK\$58,032,000	HK\$98,950,000	HK\$145,535,000
	<i>(equivalent to approximately)</i>		
	RMB49,180,000	RMB83,856,000	RMB123,335,000

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

- (i) the historical figures of the actual transaction amounts of the transactions under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022, and the unaudited actual transaction amount for the nine months ended 30 September 2023. The Directors are of the view that the low transaction under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the nine months ended 30 September 2023 is mainly due to the drop in sales since the selling price has raised since April 2022; and
- (ii) the expected demand for different pharmaceutical and healthcare products from customers.

The proposed annual caps are calculated by multiplying the planned purchase quantity by the estimated unit price of the products.

D. REASONS FOR AND BENEFITS IN ENTERING INTO THE 2024 MASTER DISTRIBUTION AGREEMENTS

The Group is principally engaged in (i) distribution sale of branded imported pharmaceutical and healthcare products; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices in the PRC and Hong Kong. The pharmaceutical and healthcare products distributed by the Group are supplied by various suppliers including Yuen Tai and 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.

By entering into the 2024 Master Distribution Agreements, the Group can maintain long term relationships with Yuen Tai and SZ Kingworld Lifeshine.

Pursuant to the 2024 Master Distribution Agreements, the products to be purchased by the Group are on an exclusive basis and the prices of such products 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 distribution of such products in the Greater China, the Group may avoid competition with other distributors with respect to the same products in the market.

In light of the above factors, the Directors (excluding Mr. Zhao and Ms. Chan, who have abstained from voting on the relevant board resolutions due to their interest in the 2024 Master Distribution Agreements and the independent non-executive Directors) consider that the terms under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026 are fair and reasonable and in the interests of the Shareholders as a whole. The opinion of the independent non-executive Directors will be formed after taking into account the advice to be provided by Vinco Financial, which will be set out in the circular to be despatched to the Shareholders on or before 10 January 2024.

E. GENERAL INFORMATION

1. Principal Business Activities

a) The Group

The Group is principally engaged in (i) distribution sale of branded imported pharmaceutical and healthcare products; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices in the PRC and Hong Kong.

b) Yuen Tai

Yuen Tai is principally engaged in the manufacturing of pharmaceutical and healthcare products.

c) *SZ Kingworld Lifeshine*

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

d) *SZ Kingworld*

SZ Kingworld was established in Shenzhen, the PRC in 1996. SZ Kingworld adheres to the business philosophy of being proactive, sincere and altruistic and continues to provide safe and effective pharmaceutical and healthcare products to its customers around the world. SZ Kingworld is principally engaged in the distribution of imported branded pharmaceutical and healthcare products in the PRC. The products distributed by SZ Kingworld include Nin Jiom Chuan Bei Pei Pa Koa, Taiko Seirogan, Imada Red Flower Oil, etc.

(e) *HK Kingworld*

HK Kingworld is principally engaged in the distribution of imported branded healthcare products in Hong Kong and Macao, including the Culturelle (康萃樂) probiotics product series from the United States, which is a leading brand in the probiotics product market in the United States and the probiotics product brand for children most recommended by pediatricians in the United States.

F. IMPLICATIONS UNDER THE LISTING RULES

Both Yuen Tai and SZ Kingworld Lifeshine are companies 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, each of Yuen Tai and SZ Kingworld Lifeshine is a connected person of the Company and the transactions under each of the 2024 Master Distribution Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the transactions contemplated under the 2024 Master Distribution Agreements are to be made with Yuen Tai and SZ Kingworld Lifeshine, and these two companies are indirectly wholly-owned by Mr. Zhao and Ms. Chan, such transactions shall be aggregated in accordance with Rule 14A.81 of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the aggregate of the proposed annual caps for the transactions contemplated under the 2024 Master Distribution Agreements is/are expected to exceed 5%, the transactions under the 2024 Master Distribution Agreements are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company confirms that the transactions contemplated under the 2024 Master Distribution Agreements are of a revenue nature in the ordinary and usual course of business of the Company and therefore are exempted from the requirements under Chapter 14 of the Listing Rules.

As Mr. Zhao and Ms. Chan have a material interest in the 2024 Master Distribution Agreements and the transactions contemplated thereunder, Mr. Zhao and Ms. Chan and their associates are required under the Listing Rules to abstain from voting on the relevant resolutions at the EGM in respect of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026. Other than Mr. Zhao and Ms. Chan, no Director is materially interested in the transactions under each of the 2024 Master Distribution Agreements and is required to abstain from voting on the Board resolutions to approve such agreements.

The Company will convene the EGM to obtain the approval from the Independent Shareholders in respect of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

Vinco Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders, and the Independent Board Committee has been established to advise the Independent Shareholders in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

A circular containing, among other things, (i) details of the transactions under each of the 2024 Master Distribution Agreements as set out in this announcement and the proposed annual caps thereof; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the 2024 Master Distribution Agreements and the proposed annual caps thereof; (iii) recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) the notice convening the EGM will be despatched to the Shareholders on or before 10 January 2024, which is within 15 Business Days after the publication of this announcement.

G. DEFINITIONS

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

“2021 SZ Kingworld Lifeshine Master Distribution Agreement”	the master distribution agreement dated 1 April 2021 entered into between SZ Kingworld and SZ Kingworld Lifeshine for the purchase of the SZ Kingworld Lifeshine Products
“2021 Yuen Tai Master Distribution Agreement”	the master distribution agreement dated 1 April 2021 entered into between HK Kingworld and Yuen Tai for the purchase of the Yuen Tai Products
“2024 Master Distribution Agreements”	collectively, (i) the 2024 Yuen Tai Master Distribution Agreement; and (ii) the 2024 SZ Kingworld Lifeshine Master Distribution Agreement
“2024 SZ Kingworld Lifeshine Master Distribution Agreement”	the master distribution agreement dated 15 December 2023 entered into between SZ Kingworld and SZ Kingworld Lifeshine for the purchase of the SZ Kingworld Lifeshine Products

“2024 Yuen Tai Master Distribution Agreement”	the master distribution agreement dated 15 December 2023 entered into between HK Kingworld and Yuen Tai for the purchase of the Yuen Tai Products
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday (or a day on which a tropical cyclone No.8 or above or a “black” rainstorm warning is hoisted in Hong Kong or “extreme conditions” announced by The Government of the Hong Kong Special Administrative Region of the People’s Republic of China is in force at any time between 9:00 a.m. and 5:00 p.m. on weekdays) on which banks are open in Hong Kong to the general public for business
“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
“Director(s)”	the director(s) of the Company
“Dual-Specification”	a classification of pharmaceutical product which can be sold pursuant to the requirement as for either prescription or OTC pharmaceutical products
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026
“Fengbao Jianfu Capsule”	Fengbao Jianfu Capsule (鳳寶牌健婦膠囊), a Dual-Specification pharmaceutical product manufactured in Hong Kong and imported from Yuen Tai
“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
“Imada Red Flower Oil”	Imada Red Flower Oil (依馬打正紅花油), a prescribed pharmaceutical product distributed by the Group
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely, Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam
“Independent Financial Adviser” or “Vinco Financial”	Vinco Financial Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Yuen Tai Master Distribution Agreement, the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under each of these agreements
“Independent Shareholder(s)”	the Shareholder(s), other than those required by the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM in relation to the 2024 Master Distribution Agreements and accordingly, the proposed annual caps for the continuing connected transactions contemplated thereunder
“Kingworld Product Range”	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)
“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

“OTC”	over the counter, a classification of pharmaceutical product which can be obtained without any doctors’ prescriptions. In the PRC, OTC products are further classified into “OTC (A)” and “OTC (B)”
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholders”	the holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 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”	certain pharmaceutical and healthcare products manufactured by SZ Kingworld Lifeshine including but not limited to the Kingworld Product Range and Imada Red Flower Oil
“Yuen Tai”	Yuen Tai Pharmaceuticals Limited (遠大製藥廠有限公司), a limited company incorporated under the laws of Hong Kong

“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, 15 December 2023

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*