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**China Health Group Limited**  
**中國衛生集團有限公司**

*(Carrying on business in Hong Kong as CHG HS Limited)*  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 673)

**DISCLOSEABLE TRANSACTION**  
**IN RESPECT OF**

- (1) GRANTING OF OPERATION RIGHT TO THE GROUP TO OPERATE  
ANPING BO'AI HOSPITAL**  
**(2) PROVISION OF LOAN TO THIRD PARTY**  
**(3) ACQUISITION OF PROPERTIES**  
**AND**  
**(4) CONTINUED SUSPENSION OF TRADING**

On 12 September 2016 (after trading hours), the Company, the Management Company (a wholly-owned subsidiary of the Company), Mr. Sang, Mr. Han and the Anping Bo'ai Hospital entered into the Agreement, pursuant to which Mr. Sang and Mr. Han have agreed to grant the Company an operation right to manage and operate the Anping Bo'ai Hospital through the Management Company for a term of 20 years commencing on 1 October 2016 at a consideration of RMB15,000,000 (equivalent to HK\$17,400,000), payable by the Management Company. In addition, the Company has agreed to provide the Anping Bo'ai Hospital with the Loan in the aggregate principal amount of no more than RMB10,000,000 (equivalent to HK\$11,600,000) for the Anping Bo'ai Hospital to improve medical and health care conditions and expand operation.

On 12 September 2016 (after trading hours), the Management Company (as the Purchaser) and Mr. Sang (as the Vendor) entered into the Assets Transfer Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Properties at the Properties Consideration of RMB15 million (equivalent to HK\$17.4 million).

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the grant of the right to operate the Anping Bo'ai Hospital to the Management Company and the provision of the Loan under the Agreement, and the Acquisition are more than 5% but less than 25%, the abovementioned transactions in aggregate constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 4 July 2016 pending the publication of the annual results of the Company for the year ended 31 March 2016.

**Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

## **INTRODUCTION**

On 12 September 2016 (after trading hours), the Company, the Management Company (a wholly-owned subsidiary of the Company), Mr. Sang, Mr. Han and the Anping Bo'ai Hospital entered into the Agreement, pursuant to which Mr. Sang and Mr. Han have agreed to grant the Company an operation right to manage and operate the Anping Bo'ai Hospital through the Management Company for a term of 20 years commencing on 1 October 2016 at a consideration of RMB15,000,000 (equivalent to HK\$17,400,000), payable by the Management Company to Mr. Sang and Mr. Han on the dates agreed in the Agreement. In addition, the Company has agreed to provide the Anping Bo'ai Hospital with the Loan. The summary of the principal terms of the Agreement, determined by the parties to the Agreement after arm's length negotiations, are as follows:

## **THE AGREEMENT**

Date: 12 September 2016 (after trading hours)

Parties:

- (i) the Company;
- (ii) Zongwei Health Industries (Shenzhen) Co., Ltd. (中衛健康產業(深圳)有限公司), a company established in accordance with the laws of the PRC and wholly-owned by the Company;
- (iii) Sang Shiwen (桑世玟) ("Mr. Sang");

(iv) Han Jianbin (韓建彬) (“Mr. Han”); and

(v) Anping Bo’ai Hospital.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Mr. Sang, Mr. Han, Anping Bo’ai Hospital and their respective associates are Independent Third Parties.

### **Operation Right**

Pursuant to the Agreement, Mr. Sang and Mr. Han have agreed to grant the Company an operation right to manage and operate the Anping Bo’ai Hospital through the Management Company for a term of 20 years commencing on 1 October 2016 at a consideration of RMB15,000,000 (equivalent to HK\$17,400,000). The consideration of RMB15,000,000 was determined by the Company, the Management Company, Mr. Sang, Mr. Han and the Anping Bo’ai Hospital after arm’s length negotiations and with reference to (i) the existing equipments, facilities and other resources available to the Anping Bo’ai Hospital, (ii) the internal analysis on the future business plan of Anping Bo’ai Hospital performed by the Company and (iii) operating history of the Anping Bo’ai Hospital. The consideration will be financed by the Group’s internal resources.

Once the right to operate and manage the Anping Bo’ai Hospital has been obtained, the Management Company will be responsible for the operation of the Anping Bo’ai Hospital and will receive all the revenue and bear all the expenses of the Anping Bo’ai Hospital during the term of management and operation of the Anping Bo’ai Hospital. The Management Company will be entitled to 85% of profit sharing from the Anping Bo’ai Hospital if there is any net profit for that financial year. Details of the right to operate and manage the Anping Bo’ai Hospital are as follows:

- (i) Once the right to operate and manage the Anping Bo’ai Hospital has been obtained, the Management Company shall have the right to, in accordance with the hospital management model of the Company, adjust the hospital’s existing internal management structure.
- (ii) Set up of hospital management committee as the decision making body of the Anping Bo’ai Hospital which comprises 5 members, among which, 3 of them shall be appointed by the Company or the Management Company; 2 of them shall be appointed by Mr. Sang and Mr. Han respectively.
- (iii) The Company or the Management Company shall appoint director and finance director, Mr. Sang shall appoint legal representative and Mr. Han shall appoint one deputy director, of the Anping Bo’ai Hospital.

**Right of first refusal**

Pursuant to the Agreement, in the event each of Mr. Sang and/or Mr. Han wishes to dispose of the whole or part of their respective registered capital of Anping Bo'ai Hospital, the Management Company shall have a right of first refusal to acquire those registered capital of Anping Bo'ai Hospital.

In addition, the consideration for the transaction shall be settled in the following manner:

- (i) The first instalment of RMB2,000,000 (equivalent to HK\$2,320,000), being the deposit, shall be payable by the Management Company within 3 business days upon signing the Agreement;
- (ii) The remaining balance of RMB13,000,000 (equivalent to HK\$15,080,000) shall be payable by the Management Company after the fulfillment of all the conditions precedent under the Agreement, within 15 business days of this announcement of the Company (or later date as agreed by all parties to the Agreement).

Pursuant to the Agreement, the consideration for the operation right shall be paid to a bank account designated by Mr. Sang and Mr. Han.

**Provision of the Loan**

Pursuant to the Agreement, the Company has agreed to provide, directly or indirectly through the Management Company or a third party, the Anping Bo'ai Hospital with the Loan in the aggregate principal amount of no more than RMB10,000,000 (equivalent to HK\$11,600,000) for the Anping Bo'ai Hospital to improve medical and health care conditions and expand operation. The principal terms of the Loan are as follows:

- (i) Annual interest rate is 10%
- (ii) Term of loan is 3 years

The terms of the Loan were determined by the Management Company and the Anping Bo'ai Hospital after arm's length negotiations and with reference to the prevailing terms of commercial loans and the borrowing cost of the Group. The Group will utilise internal resources to fund the Loan.

## Conditions precedent

The cooperation under the Agreement is conditional upon the satisfaction or waiver by the parties through mutual agreement of all of the following conditions:

- (i) if required by the laws and relevant rules, all consents and approvals necessary for the signing or performance of the Agreement having been obtained and remaining full force and effect, including but not limited to the approvals, authorisations and consents of and filings with government authorities such as the hospital administration authority, the registration authority for private non-enterprise entities, the Stock Exchange and the foreign investment authority for the Management Company or the waiver from any of them;
- (ii) the due diligence on the legal, medical services and financial aspects of the Anping Bo'ai Hospital having been completed to the satisfaction of the Management Company, and all material issues identified in the due diligence having been solved by Mr. Sang and Mr. Han or the solutions acceptable to the Management Company having been agreed to;
- (iii) since the signing of the Agreement up to the transfer of the right to operate and manage the Anping Bo'ai Hospital, there having been no events, facts, conditions, changes or other circumstances that have had or are reasonably expected to have material adverse effects on the assets, liabilities or normal operation of the Anping Bo'ai Hospital, nor there were any material adverse changes in the structure or status of the assets of the Anping Bo'ai Hospital;
- (iv) the decision-making mechanism and management designation in respect of the Anping Bo'ai Hospital having been agreed by the Management Company, Mr. Sang and Mr. Han in accordance with the Agreement, the confirmation of the amended articles of association of the Anping Bo'ai Hospital by the Management Company, and completion of the changes in the Medical Institution Practice License and the Registration Certificate of Private Non-enterprise Entity;
- (v) the representations and warranties made by Mr. Sang and Mr. Han and the Anping Bo'ai Hospital under the Agreement remaining fully true, complete and accurate, and all agreements or undertakings to be performed or complied with by Mr. Sang and Mr. Han and the Anping Bo'ai Hospital on or before the completion date under the Agreement having been performed or complied with, without any breach of the Agreement.

## **INFORMATION ON THE ANPING BO'AI HOSPITAL**

The Anping Bo'ai Hospital is a private Class II general hospital located in Anping County, Hebei Province, the PRC under the name of the Hebei Red Cross, and has been operating for over 18 years. The Anping Bo'ai Hospital is currently a designated hospital for employee medical insurance, free medical care, the New Rural Cooperative Medical Scheme, health examinations, traffic accidents and judicial expertise in Hubei Province. It has a total gross floor area of approximately 6,123 square metres and 130 beds. Currently it has approximately 128 employees. The Anping Bo'ai Hospital provides outpatient services, hospitalization and general medical services including various health examinations and diagnosis and focuses on orthopaedics, obstetrics and gynaecology and paediatrics.

## **REASONS FOR ENTERING INTO THE AGREEMENT**

The Group is principally engaged in the provision of medical and healthcare services and B-to-C consumer services in the PRC.

Given that the Group will be responsible for the business operation of the Anping Bo'ai Hospital since 1 October 2016, the Directors are of the view that the provision of the Loan to the Anping Bo'ai Hospital is commercially advisable as the expansion of the operation of the Anping Bo'ai Hospital and the improvement of its medical and health care conditions will be beneficial to the future operation of the Anping Bo'ai Hospital. Taking into account (i) the holding of the right to operate the Anping Bo'ai Hospital will improve the Group's image in the medical and healthcare service industry and bring revenue contribution from profit sharing of the Anping Bo'ai Hospital to the Group; (ii) the provision of the Loan will bring stable interest income to the Group; and (iii) the provision of the Loan will be beneficial to the future operation of the Anping Bo'ai Hospital, the Directors are of the view that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

## **ACQUISITION OF PROPERTIES**

On 12 September 2016 (after trading hours), the Management Company (as the Purchaser) and Mr. Sang (as the Vendor) entered into the Assets Transfer Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Properties at the Properties Consideration of RMB15 million (equivalent to HK\$17.4 million). Principal terms of the Assets Transfer Agreement are set out below:

**Date** : 12 September 2016 (after trading hours)

**Parties** : The Management Company (as the Purchaser); and  
Mr. Sang (as the Vendor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

## **Properties to be acquired**

The Properties comprises:

- (i). Hospital buildings situated at F-1, Zhongxin Road East, Xin Ying Street South, Anping County, Hebei Province, PRC\* (河北省安平縣新盈街南中心路東F-1地號) with total building area of approximately 5,236.11 sq.m. The land use rights of the hospital buildings have been granted for hospital purposes; and
- (ii). Two residential villas (including forecourt) close to the hospital buildings with an aggregate total building area of 498.68 sq.m.

## **Consideration**

The Properties Consideration is RMB15 million (equivalent to HK\$17.4 million) which shall be satisfied by the Purchaser to the Vendor in cash within 10 business days upon receipt of valuation report as stated below and completion of transfer of titles of the Properties.

The Properties Consideration was determined between the Vendor and the Purchaser after arm's length negotiations with reference to, amongst other things, the preliminary appraised value of the Properties of RMB15 million appraised by the Directors. The Properties Consideration will be financed by the Group's internal resources.

## **Condition precedent**

Completion of the Acquisition is subject to the fulfillment of the following condition precedent:

the obtaining of a valuation report (in form and substance satisfactory to the Purchaser) from an independent valuer valuing the Properties at fair market value at not less than RMB15,000,000 (equivalent to HK\$17.4 million).

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Board believes that the Acquisition allows the Group to centralize its resources to the hospital buildings which provides the necessary space for the Group to develop its medical services in Hebei Province. The Board believes that the Acquisition will facilitate management, enhance administrative efficiency and corporate image of the Group as a whole and the Properties will be held for long term capital growth and rental purposes. Having considered the Acquisition would (i) improve efficiency and cost of the Group's medical services; (ii) generate steady recurring rental income for the Group; and (iii) provide an opportunity for the Group to enjoy future capital appreciation of the Properties, the Directors are of the view that the terms of the Assets Transfer Agreement (including the Properties Consideration) are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.



## **GENERAL**

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the grant of the right to operate the Anping Bo'ai Hospital to the Management Company and the provision of the Loan under the Agreement, and the Acquisition are more than 5% but less than 25%, the abovementioned transactions in aggregate constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

## **UPDATE OF USE OF PROCEEDS**

Reference is made to the circular (the “**Circular**”) of the Company dated 19 October 2015 in relation to the subscription (the “**Subscription**”) of convertible notes in the aggregate principal amount of HK\$225 million. Capitalised terms used shall have the same meaning as those defined in the Circular unless otherwise defined.

As disclosed in the Circular, out of the net proceeds of approximately HK\$224.4 million from the Subscription, the Company intended to apply as to (i) approximately HK\$43.8 million for the provision of loans to the hospital in accordance with the Chengde Agreement; (ii) approximately HK\$125.0 million for the provision of loans to the Tianjin Hospital pursuant to the Loan Agreement; (iii) approximately HK\$25.0 million for general working capital of the Group, including expenses for business promotion and marketing, office rental, salaries and other selling and distribution and administrative expenses for the coming 12 months; and (iv) approximately HK\$30.6 million for the possible acquisition of five grade-one hospitals in Tianjin, the PRC. Since the completion of the Subscription and up to the date of this announcement, (i) approximately HK\$11.5 million for the provision of loans to the hospital in accordance with the Chengde Agreement; and (ii) approximately HK\$61.8 million for general working capital of the Group including legal and professional fees and other administrative expenses. As at the date of this announcement, approximately HK\$151.1 million of the proceeds from the Subscription remain unutilised. The remaining amount of the unutilised net proceeds will be applied as to (i) approximately HK\$46.4 million (equivalent to RMB40 million) to finance the transactions contemplated under each of the Agreement and the Acquisition Agreement; (ii) approximately HK\$29 million (equivalent to RMB25 million) for the provision of loans to the hospital in accordance with the Chengde Agreement; and (iii) approximately HK\$75.7 million for general working capital of the Group and expansion of the Group's existing business and/or potential acquisition in futures when opportunities arise.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 4 July 2016 pending the publication of the annual results of the Company for the year ended 31 March 2016.

**Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**



## DEFINITIONS

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

“Acquisition”	the acquisition of the Properties by the Purchaser at the Properties Consideration pursuant to the terms and conditions of the Assets Transfer Agreement
“Agreement”	an agreement dated 12 September 2016 (after trading hours) entered into between the Company, the Management Company, Mr. Sang and Mr. Han in relation to the grant of the right to operate the Anping Bo'ai Hospital to the Management Company
“Anping Bo'ai Hospital”	Anping Bo'ai Hospital* (安平博愛醫院), a private Class II general hospital located in Anping County, Hebei Province, the PRC
“Annual Revenue”	audited total revenue of the Anping Bo'ai Hospital for a given financial year, excluding non-operating government compensation grants and social donations
“Assets Transfer Agreement”	the assets transfer agreement dated 12 September 2016 (after trading hours) pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Properties at the Properties Consideration of RMB15 million (equivalent to HK\$17.4 million)
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Health Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties who are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan in the aggregate principal amount of no more than RMB10,000,000 (equivalent to HK\$11,600,000) to be provided by the Company to the Anping Bo’ai Hospital under the Agreement
“Management Company”	Zongwei Health Industries (Shenzhen) Co., Ltd. (中衛健康產業(深圳)有限公司), a company established in accordance with the laws of the PRC and wholly-owned by the Company
“PRC” or “China”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	The Management Company
“Properties”	The hospital buildings situated at F-1, Zhongxin Road East, Xin Ying Street South, Anping County, Hebei Province, PRC* (河北省安平縣新盈街南中心路東F-1地號) and two residential villas (including forecourt) close to the hospital buildings
“Properties Consideration”	RMB15 million (equivalent to HK\$17.4 million)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares in the issued share capital of the Company with par value of HK\$0.1 each
“Shareholder(s)”	the holder(s) of shares
“Vendor”	Mr. Sang

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

By order of the Board

**China Health Group Limited**

**Weng Yu**

*Executive Director*

Hong Kong, 12 September 2016

*For the purposes of this announcement, unless otherwise stated, Renminbi was translated into Hong Kong dollars using the exchange rate of RMB1: HK\$1.16. The exchange rate is for illustration purposes only and does not represent that any amount has been, could have been or could be translated at such exchange rate or at all.*

*As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Weng Yu, Mr. Wang Yongqing, Mr. Chung Ho and Mr. Wang Jingming; twelve non-executive directors, namely, Mr. Ying Wei, Mr. Zhang Song, Ms. Wei Changying, Mr. Pei Kewei, Mr. Xing Yong, Mr. Wang Zili, Ms. Wang Fang, Mr. Yang Cheng, Mr. Wang Xiaolin, Mr. Huang Bin, Mr. Wang Yuexiang and Ms. He Lijuan; and six independent non-executive directors, namely, Mr. Xiao Zuhe, Mr. Wang Qingyou, Mr. Zou Lian, Ms. Yang Huimin, Mr. Liang Qi and Mr. Xin Hua.*

\* *For identification purpose only*