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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)

SUBSCRIPTION OF SHARES UNDER GENERAL MANDATE

THE SUBSCRIPTION AGREEMENTS

The Board is pleased to announce that on 10 May 2017 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with two Subscribers respectively pursuant to which the Company has conditionally agreed to allot and issue, and each of the two Subscribers has conditionally agreed to subscribe for, an aggregate of 420,000,000 Subscription Shares at the Subscription Price of HK\$0.17 per Subscription Share.

It is expected that the net proceeds from the Subscriptions (after deducting the expenses incurred in the Subscriptions) amount to approximately HK\$71,300,000. The Company intends to apply the net proceeds from the Subscriptions as to (i) approximately HK\$40,000,000 for the development of finance leasing business of the Group; and (ii) the remaining balance for future investments when suitable investment opportunities arise and general working capital of the Group.

Shareholders and potential investors should note that completion of the Subscriptions is subject to fulfillment of the condition under the Subscriptions Agreement. As the Subscriptions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 10 May 2017 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with two Subscribers respectively pursuant to which the Company has conditionally agreed to allot and issue, and each of the two Subscribers has conditionally agreed to subscribe for, an aggregate of 420,000,000 Subscription Shares at the Subscription Price of HK\$0.17 per Subscription Share.

THE SUBSCRIPTION AGREEMENTS

Principal terms of the Subscription Agreements are as follows:

Date

10 May 2017 (after trading hours of the Stock Exchange)

Parties to the Subscription Agreement I

- (i) the Company (as issuer); and
- (ii) Crystal Summit Limited (as the Subscriber I)

Parties to the Subscription Agreement II

- (i) the Company (as issuer); and
- (ii) Coral Point Global Limited (as the Subscriber II)

Subscriber I is a company incorporated in Samoa with limited liability, and is wholly-owned by Mr. Tan Ying (談鷹先生). Mr. Tan is a professional expert in finance industry.

Subscriber II is a company incorporated in British Virgin Islands with limited liability, and is wholly-owned by Mr. Zhu Shengqing (朱晟卿先生). Mr. Zhu is a merchant engaging in internet finance business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) each of the Subscribers is a third party independent to each other; and (ii) each of the Subscribers and their respective associates are Independent Third Parties.

Subscription Shares

Pursuant to Subscription Agreement I, the Company has conditionally agreed to allot and issue, and Subscriber I has conditionally agreed to subscribe for, 210,000,000 Subscription Shares at the Subscription Price of HK\$0.17 per Subscription Share.

Pursuant to Subscription Agreement II, the Company has conditionally agreed to allot and issue, and Subscriber II has conditionally agreed to subscribe for, 210,000,000 Subscription Shares at the Subscription Price of HK\$0.17 per Subscription Share.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and Completion, the Subscription Shares, in aggregate represent:

- (i) approximately 13.04% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 11.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares is HK\$42,000,000.

Subscription Price

The Subscription Price of HK\$0.17 per Subscription Share represents:

- (i) a premium of approximately 8.28% to the closing price of HK\$0.157 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements; and
- (ii) a premium of approximately 6.92% to the average closing price of HK\$0.159 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$0.169 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiation between the Company and each of the Subscribers with reference to the recent market prices and performance of the Shares and the current market conditions. The Directors are of the view that the Subscription Price is fair and reasonable, on normal commercial terms, and is in the interests of the Company and the Shareholders as a whole.

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of issue and allotment of the Subscription Shares.

Conditions precedent

Completion of the Subscription Agreements is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

The above condition could not be waived. If the above condition is not fulfilled on or before 31 May 2017 (or such later date as may be agreed between the Company and each of the Subscribers in writing), the Subscription Agreements will lapse and become null and void and the parties thereto will be released from all obligations thereunder, save for the liabilities for any antecedent breaches thereof.

The Subscription Agreements are not inter-conditional to each other.

Completion

Completion of the Subscriptions shall take place within three (3) Business Days after the condition of the Subscriptions are fulfilled (or such other date as may be agreed by the Company in writing).

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with up to 423,989,526 Shares, representing approximately 20% of the issued share capital of the Company as at the date of the AGM. Since the date of the AGM up to and including the date of this announcement, the General Mandate has yet to be utilised. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares and the allotment and issue of the Subscription Shares is not subject to the Shareholders' approval.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFIT OF THE SUBSCRIPTIONS AND USE OF PROCEEDS

The Group is principally engaged in the provision of hospital management and medical machinery and equipment trading business in the PRC.

The Directors are of the view that the Subscriptions are in the interests of the Company and the Shareholders as a whole and the allotment and issue of the Subscription Shares is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding and the capital base of the Company will be broadened. The Directors consider that the terms of the Subscription Agreements are fair and reasonable.

It is expected that the net proceeds from the Subscriptions (after deducting the expenses incurred in the Subscriptions) amount to approximately HK\$71,300,000. The Company intends to apply the net proceeds from the Subscriptions as to (i) approximately HK\$40,000,000 for the development of finance leasing business of the Group; and (ii) the remaining balance for future investments when suitable investment opportunities arise and general working capital of the Group.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not carried out any fund raising activity in the twelve months immediately prior to the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the Completion of the Subscriptions (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the date of Completion of the Subscriptions), are summarised as follows:

	As at the date of this announcement		Immediately following the Completion of the Subscriptions	
	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)
Zheng Hua Investment Limited (note 1)	900,000,000	27.95	900,000,000	24.73
Speedy Brilliant Investments Limited (note 2)	276,510,000	8.59	276,510,000	7.60
Ying Wei, a non-executive Director	253,469,000	7.87	253,469,000	6.96
Pacas Worldwide Limited (note 3)	200,000,000	6.21	200,000,000	5.49

	As at the date of this announcement		Immediately following the Completion of the Subscriptions	
	<i>Number of Shares</i>	<i>% (Approx.)</i>	<i>Number of Shares</i>	<i>% (Approx.)</i>
Subscriber I	–	–	210,000,000	5.77
Subscriber II	–	–	210,000,000	5.77
Other public Shareholders	1,589,968,634	49.38	1,589,968,634	43.68
Total	3,219,947,634	100.00	3,639,947,634	100.00

Note:

1. Zheng Hua Investment Limited is wholly owned by Shanghai Ying Mao Investment Management Partnership (Limited Partnership) which is owned as to 99.96% by Ping An Trust Co., Ltd.. Ping An Insurance (Group) Company of China Ltd holds 99.88% of Ping An Trust Co., Ltd.. Zheng Hua Investment Limited also holds convertible notes which can be converted into 400,000,000 Shares at conversion price of HK\$0.15 each as at the date of this announcement.
2. Speedy Brilliant Investments Limited is wholly owned by Zhou Disun.
3. Pacas Worldwide Limited is wholly owned by Mr. Li Xuguang who is a non-executive Director.

Shareholders and potential investors should note that completion of the Subscriptions is subject to fulfillment of the condition under the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“AGM”	the annual general meeting of the Company held on 18 August 2015
“Board”	the board of Directors

“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“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
“Completion”	completion of the Subscription Agreements
“Directors”	directors of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons in accordance with the Listing Rules
“Last Trading Day”	9 May 2017, being the last trading day immediately prior to the entering into of the Subscription Agreements
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Subscriber I and Subscriber II
“Subscriber I”	Crystal Summit Limited
“Subscriber II”	Coral Point Global Limited
“Subscription(s)”	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	collectively, Subscription Agreement I and Subscription Agreement II
“Subscription Agreement I”	the conditional subscription agreement dated 10 May 2017 entered into between the Company and Subscriber I in relation to the Subscription
“Subscription Agreement II”	the conditional subscription agreement dated 10 May 2017 entered into between the Company and Subscriber II in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.17 per Subscription Share
“Subscription Shares”	an aggregate total of 420,000,000 new Shares to be allotted and issued by the Company to the Subscribers pursuant to the terms and conditions of the Subscription Agreements
“HK\$”	Hong Kong dollars

“%”

per cent.

By Order of the Board
China Health Group Limited
Weng Yu
Executive Director

Hong Kong, 10 May 2017

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Weng Yu, Mr. Wang Yongqing, Mr. Chung Ho, Mr. Wang Jingming and Mr. Zhang Fan; eight non-executive Directors, namely, Mr. Ying Wei, Mr. Zhang Song, Ms. Wei Changying, Mr. Xing Yong, Mr. Wang Zili, Mr. Wang Xiaolin, Mr. Wang Yuexiang and Mr. Li Xuguang; and seven independent non-executive Directors, namely, Mr. Xiao Zuhe, Mr. Wang Qingyou, Mr. Zou Lian, Ms. Yang Huimin, Mr. Liang Qi, Mr. Xin Hua and Mr. Jiang Xuejun.