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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)*

**VOLUNTARY ANNOUNCEMENT-BUSINESS UPDATE**

This announcement is made by China Health Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to provide shareholders and potential investors of the Company with information on the Latest business development of the Group.

The board of directors (the “**Board**”) of the Company wishes to announce that on 9 December 2017, the Company, 北京中衛康融醫院管理有限公司 (Beijing Kangrong Hospital Management Company Limited\*) (“**Beijing Kangrong**”, a wholly-owned subsidiary of the Company), 岳陽市巴陵醫院有限公司 (Yueyang City Baling Hospital Company Limited\*) (“**Baling Hospital**”) and all the owners of Baling Hospital (the “**Owners**”) entered into an agreement (the “**Agreement**”), pursuant to which (i) Beijing Kangrong shall be granted the right to management Baling Hospital for the period of one year from 1 January 2018; and (ii) the Company shall have an exclusive right during the period of 6 months from the date of the Agreement to perform due diligence review on and negotiate with the Owners on the possible acquisition of a 51% equity interest in Baling Hospital (the “**Possible Acquisition**”).

Pursuant to the Agreement, Beijing Kangrong shall pay a sum of RMB3 million (equivalent to approximately HK\$3.5 million) within 5 business days from the date of the Agreement to a designated bank account of Baling Hospital as a security deposit (the “**Deposit**”). In the event the net profit of Baling Hospital for the year ending 31 December 2018 exceeds RMB3 million, Beijing Kangrong and the Owners shall be entitled to the profits in excess of RMB3 million on a 80:20 ratio and the Deposit shall be returned to Beijing Kangrong in full. If the net profit of Baling Hospital for the year ending 31 December 2018 is less than RMB3 million, Beijing Kangrong shall bear the shortfall which shall be deducted from the Deposit. Any remaining balance of the Deposit after the aforesaid deduction shall be returned to Beijing Kangrong. For the avoidance of doubt, the maximum amount of shortfall to be borne by Beijing Kangrong shall be RMB3 million and Beijing Kangrong is not required to make good any losses that may be incurred by Baling Hospital.

Baling Hospital is a hospital set up in Yueyang City, Hunan Province, the People's Republic of China with the approval of 岳陽市衛生和計劃生育委員會 (Yueyang City Healthcare and Family Planning Committee\*). It has approximately 450 beds and provides comprehensive services including, among others, general practices, medical, surgical, gynecology, pediatric, otolaryngology, stomatology, dermatology, oncology, and traditional Chinese medicine, etc. To the best of the Directors' knowledge, information and belief after making reasonable enquiries, the Owners and Baling Hospital are third parties independent of the Company and its connected persons.

The Agreement serves to expand the network of hospitals under the Group's management and is entered into in the ordinary and usual course of business of the Group. It also provides an opportunity for the Group to assess and negotiate the Possible Acquisition on an exclusive basis. The Agreement however does not constitute a binding agreement on the parties to proceed with the Possible Acquisition. The Possible Acquisition, if materialises, is expected to constitute a notifiable transaction for the Company under the Listing Rules and the Deposit shall be transferred to settle part of the consideration for the Possible Acquisition. Further announcement(s) will be made by the Company if there is any material development on the Possible Acquisition in compliance with the Listing Rules as and when appropriate.

**As the Possible Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 12 December 2017

*As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Zhang Fan (chairman), Mr. Weng Yu, Mr. Wang Yongqing, Mr. Chung Ho and Mr. Wang Jingming; eight nonexecutive 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 eight independent non-executive Directors, namely, Mr. Xiao Zuhe, Mr. Wang Qingyou, Mr. Zou Lian, Ms. Yang Huimin, Mr. Liang Qi, Mr. Xin Hua, Mr. Jiang Xuejun and Mr. Du Yanhua.*

\* The English translation is for identification purpose only and not an official registered name.