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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)

**MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITION OF
ANPING BO'AI HOSPITAL AND THE DEPOSIT**

Financial adviser to the Company



京華山一企業融資有限公司

Core Pacific-Yamaichi Capital Limited

THE ACQUISITION AND THE DEPOSIT

The Board is pleased to announce that on 28 December, 2018 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors entered into the Share Purchase Agreement pursuant to which, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell 70% equity interests of the Target Company at the Consideration of RMB4.2 million (equivalent to approximately HK\$4.79 million), which shall be satisfied by cash by the Purchaser to the Vendors on Completion. Upon Completion, the Target Company will be owned as to 70% by the Purchaser and the Target Company will become an indirectly non-wholly owned subsidiary of the Company. Pursuant to the Share Purchase Agreement, the Purchaser shall pay the Deposit to Mr. Sang upon Completion and Mr. Sang agrees to transfer the remaining 30% equity interests of the Target Company to the Purchaser (or any third party nominated by the Purchaser) upon the request of the Purchaser.

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in respect of the Acquisition and the Deposit are more than 25% but less than 100%, the Acquisition and the Deposit constitute a major transaction for the Company and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An SGM will be held for the Shareholders to consider and, if thought fit, approve the Acquisition and the Deposit. A circular containing, among other things, (i) further details of the Acquisition and the Deposit; (ii) the financial and other information on the Group; (iii) the financial and other information on the Target Company; (iv) the pro forma financial information of the Enlarged Group upon Completion; and (v) a notice of the SGM, is expected to be despatched to the Shareholders on or before 31 January, 2019 as additional time is required for the preparation of the relevant information to be included in the circular.

Shareholders and potential investors of the Company should note that the Acquisition and the Deposit are subject to a number of conditions precedent which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 28 December, 2018 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Share Purchase Agreement pursuant to which, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell 70% equity interests of the Target Company at the Consideration of RMB4.2 million (equivalent to approximately HK\$4.79 million), which shall be satisfied by cash by the Purchaser to the Vendors on Completion. Upon Completion, the Target Company will be owned as to 70% by the Purchaser and the Target Company will become an indirectly non-wholly owned subsidiary of the Company. The principal terms and Conditions Precedent of the Share Purchase Agreement are set out below.

THE SHARE PURCHASE AGREEMENT

Date : 28 December, 2018 (after trading hours)

Parties : (i) 北京中衛康融醫院管理有限公司 (transliterated as Beijing Zhongweikangrong Hospital Management Co., Ltd.), a company established in accordance with the laws of the PRC and indirectly wholly-owned by the Company (as the Purchaser);

(ii) Mr. Sang and Mr. Han (together as the Vendors); and

(iii) Anping Bo'ai Hospital, which is held as to 85% by Mr. Sang and as to 15% by Mr. Han (the Hospital will be transformed to a for-profit hospital and will become the Target Company prior to Completion).

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

Subject Matter : The Anping Bo'ai Hospital is proposed to be transformed into a for-profit limited liability company from a private non-enterprise unit. The Target Company is proposed to be under the name of 安平康融醫院有限公司 (transliterated as Anping Kangrong Hospital Co., Ltd.), which will be held as to 85% and 15% held by Mr. Sang and Mr. Han respectively. The Company, through 北京中衛康融醫院管理有限公司 (transliterated as Beijing Zhongweikangrong Hospital Management Co., Ltd.), being the Purchaser, has conditionally agreed to acquire and the Vendors, Mr. Sang and Mr. Han, have conditionally agreed to sell 70% equity interests of the Target Company.

Upon Completion, the Target Company will be held as to 70% by the Purchaser and will become an indirect wholly-owned subsidiary of the Company. Please refer to the circular of the Company containing the details of the Acquisition and the Deposit to be despatched to the Shareholders for further details.

Consideration : The Consideration for the acquisition of such 70% equity interests shall be RMB4.2 million (equivalent to approximately HK\$4.79 million) and shall be fully satisfied by cash of the Purchaser to the Vendors in the following manners:

- (i) RMB3 million upon signing of the Share Purchase Agreement in 3 Business Days as the first payment, of which RMB2.5 million and RMB0.5 million shall be paid by the Purchaser as the first payment to Mr. Sang and Mr. Han respectively;
- (ii) the balance of the Consideration of RMB1.2 million, of which RMB0.8 million and RMB0.4 million, shall be paid by the Purchaser to Mr. Sang and Mr. Han respectively, within 3 Business Days, upon (a) the Anping Bo'ai Hospital completed the reorganization according to the PRC laws from a private non-enterprise unit to a for-profit limited liability company, and the Target Company has been established in accordance with the law; (b) the preconditions for the Acquisition as stipulated in of the Share Purchase Agreement are all met and fulfilled; (c) the 70% equity interests of the Target Company are all transferred to and registered under the name of the Purchaser; the legal representatives, directors, supervisors, and managers of the Target Company are registered under the name of the designated person of the Company.

Basis of consideration : The Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser after taking into account, (i) the net asset value of the Hospital as at 31 December 2017; (ii) the historical financial performance of the Hospital; (iii) the future prospects of the Hospital; and (iv) the benefits to be derived by the Group from the synergistic effects, the resultant economies of scale arising from the Acquisition and other factors as described under the paragraph "Reasons for and Benefits of the Acquisition and the Deposit".

Having considered the aforesaid factors, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

- Conditions Precedent** : Completion shall be conditional upon satisfaction of each of the following Conditions Precedent:
- a) (i) the completion of the transformation of the Hospital from not-for-profit hospital into a for-profit hospital (a limited liability company) in accordance with the Share Purchase Agreement, all requisite approvals, filings or registrations having been made with according to the relevant laws and regulations and the relevant approval procedures with the relevant government authorities have been completed by the Target Company; (ii) all requisite governmental authorisations on terms and conditions satisfactory to the Company having been obtained from, all applicable governmental entities, or other Independent Third Parties which are necessary in connection with the execution and performance of the Share Purchase Agreement and any transaction contemplated therein (if required);
 - b) the Purchaser has obtained through the Company approval from the Board and the approval from the Stock Exchange in relation to the Acquisition; and the passing of an ordinary resolution by the Shareholders at the SGM to approve the Share Purchase Agreement and the transactions contemplated thereunder; and
 - c) each of the warranties given by the Vendors pursuant to the Share Purchase Agreement being complete, true and accurate and not misleading as at the date of the Share Purchase Agreement and at Completion with respect to facts, events and circumstances existing as at such date.

None of the above Conditions Precedent (a), (b) and (c) can be waived.

- Completion** : Completion shall take place within ten Business Days immediately after the fulfilment of all the Conditions Precedent but not later than the Long Stop Date. Upon Completion, the Target Company will be owned as to 70% by the Purchaser and the Target Company will become an indirect non-wholly owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company.
- Breach of Agreements and Indemnity** : In the event the Completion does not take place on or before the Long Stop Date due to the reason that any party commits a material breach (the “**Default Party**”) of the Share Purchase Agreement, the non-Default Party may terminate the Share Purchase Agreement by serving a written notice to the Default Party for remedial action, and the non-Default Party have the right to terminate the Share Purchase Agreement unilaterally if the Default Party fails to take remedial action on the material breach within 30 days after the Default Party received such notice.
- Termination** The Share Purchase Agreement will be terminated under the following circumstances:
- a) mutual agreement of the parties;
 - b) failure to perform and assume its obligations and responsibilities under the Share Purchase Agreement in a timely and comprehensive manner of all the parties; and
 - c) failure to transform the Anping Bo'ai Hospital from not-for-profit to for-profit and complete the incorporation of the Target Company within 185 days from the date of the execution of the Share Purchase Agreement (except with the agreement of delay from the Purchaser).

PAYMENT OF DEPOSIT TO ACQUIRE THE REMAINING 30% INTERESTS OF THE TARGET COMPANY FROM MR. SANG

Pursuant to the Share Purchase Agreement, it was agreed by the Purchaser and Mr. Sang that the Purchaser shall pay in advance upon completion of such acquisition of 70% equity interests RMB1.8 million (equivalent to approximately HK\$2.05 million) to Mr. Sang as the consideration for the future acquisition of the remaining 30% equity interests of the Target Company (the “**Remaining Interest**”) to the Purchaser (or any third party nominated by the Purchaser) when the PRC laws, regulations and policies allow the acquisition of the Remaining Interest and upon the request of the Purchaser (the “**Subsequent Transfer**”). Currently the Company does not intend to acquire the Remaining Interest alongside the Acquisition.

The Subsequent Transfer will not be entered into nor completed by the parties until the fulfillment of the following conditions: (a) the acquisition of the Remaining Interest having complied with all applicable laws, rules and regulations; (b) if required by the Listing Rules, the Company having obtained the approval by shareholders at general meeting of the Company in respect of the acquisition of the Remaining Interest.

The basis of the consideration of the Deposit was arrived at after arm’s length negotiations between Mr. Sang and the Purchaser after taking into account the basis of Consideration of the Acquisition.

INFORMATION OF THE HOSPITAL

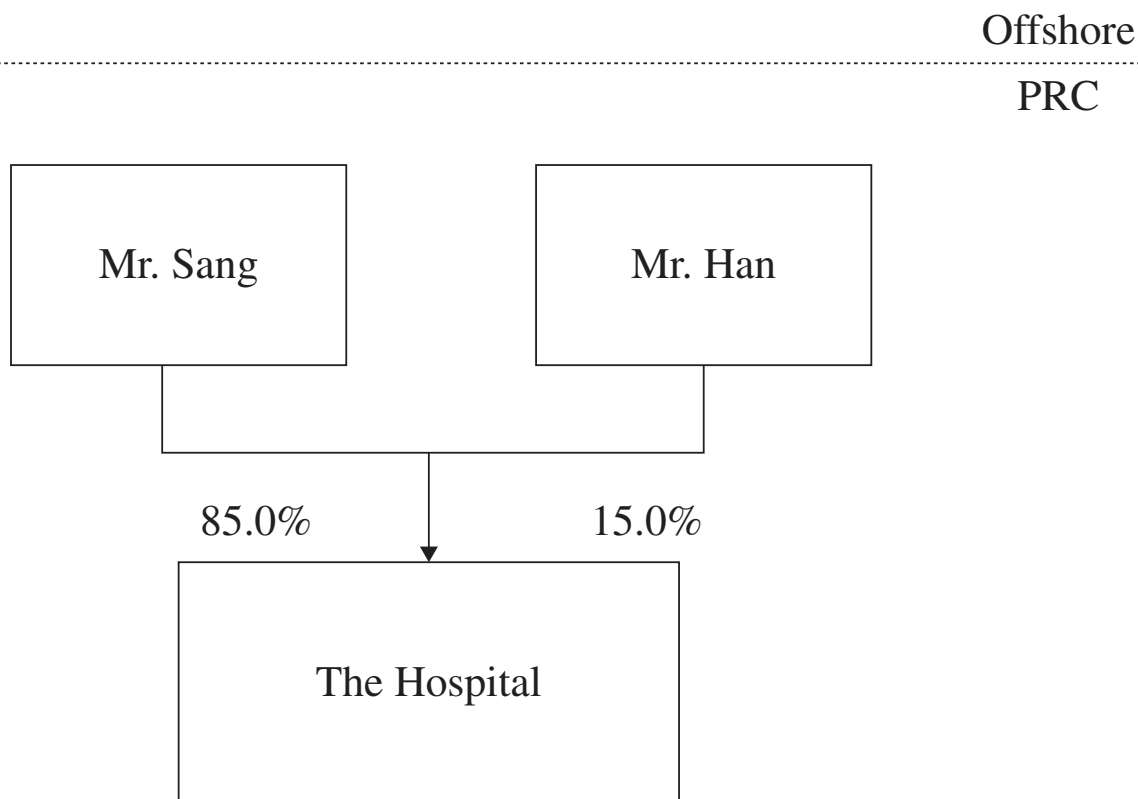
The Hospital

The Hospital is a private Class II general hospital located in Anping County, Hebei Province, the PRC, and has been operating for over 20 years. The 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 102 beds. Currently it has approximately 118 employees. The Hospital provides outpatient services, hospitalization and general medical services including various health examinations and diagnosis and focuses on orthopaedics, obstetrics and gynaecology and paediatrics.

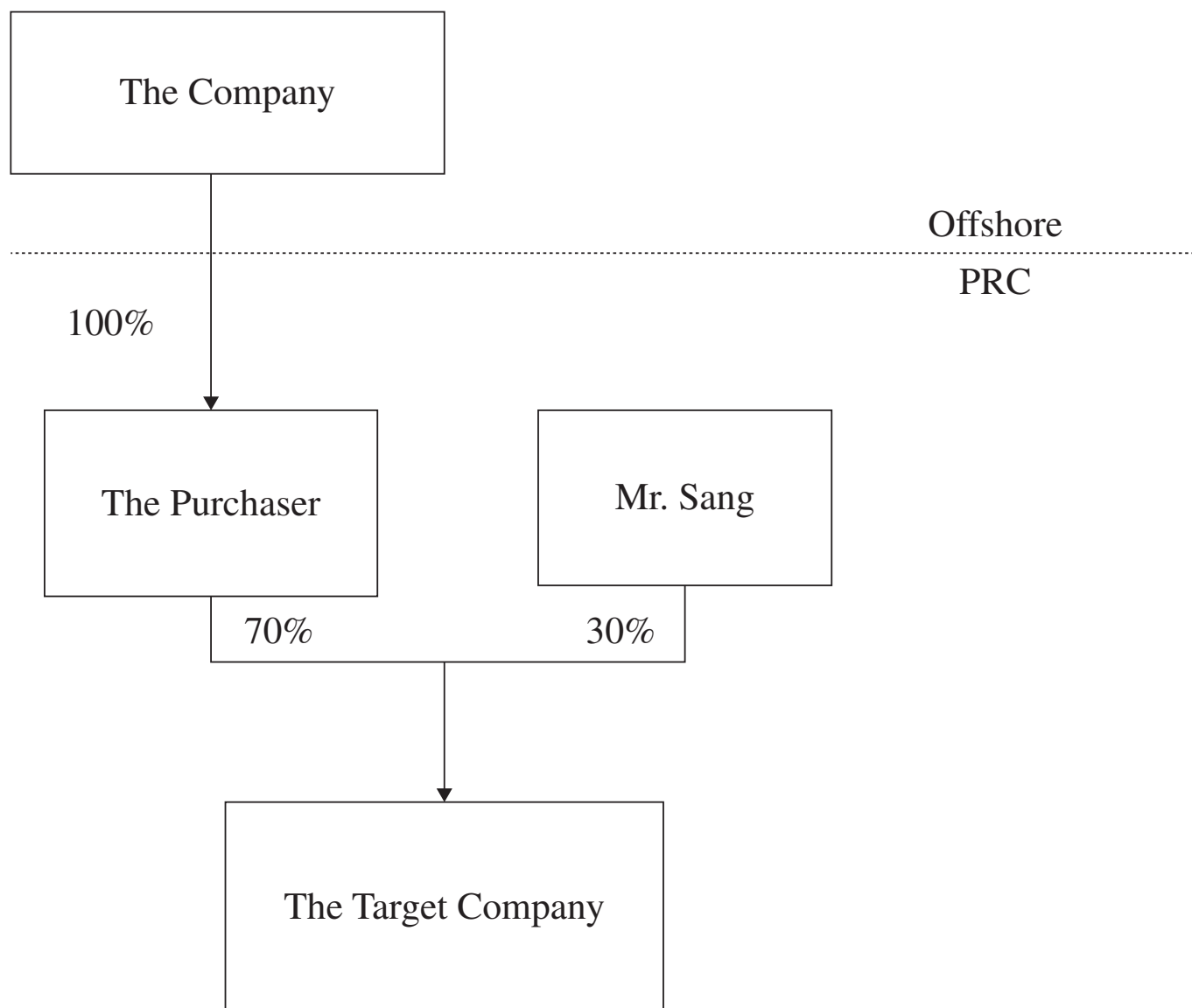
Set out below is the unaudited financial information of the Hospital for the two years ended December 31, 2016 and 2017 and the six months ended 30 June 2018.

	For the financial year ended		For the six
	December 31		months ended
	2016	2017	June 30
	RMB'000	RMB'000	RMB'000
Revenue	13,890	14,005	7,594
Net (loss)/profit before taxation	100	(1,428)	(2,520)
Net (loss)/profit after taxation	100	(1,428)	(2,520)
	As at December 31		As at June 30
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Total Assets	5,877	12,775	17,467
Net Assets/(liabilities)	2,476	1,048	(2,994)

Shareholding structure of the Hospital before the Acquisition



Shareholding structure of the Target Company after Completion



Note: The Hospital will be transformed to a for-profit hospital and will become the Target Company prior to Completion

INFORMATION ON THE VENDORS

The Vendors are Mr. Sang and Mr. Han, the shareholders of the Hospital, the Hospital is ultimately held as to 85% by Mr. Sang and 15% by Mr. Han respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Sang and Mr. Han is Independent Third Party. Mr. Sang and Mr. Han are currently working as doctors of the Hospital and will remain to work as doctors in the Hospital after Completion.

INFORMATION ON THE COMPANY

The Company is incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Company is a Hong Kong-based investment holding company principally engaged in medical businesses. The Company mainly operates through four segments, namely provision of hospital management services, trading of medical equipment, business factoring and property investment.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DEPOSIT

On 12 September 2016, the Company, the Management Company, Mr. Sang, Mr. Han and the Hospital entered into the 2016 Agreement (as supplemented by the supplemental agreement dated 29 September 2016), pursuant to which the Company has been granted an operation right to manage and operate the Hospital through the Management Company for a term of 20 years commencing on 1 October 2016 and the Company has given the Loan. The Hospital building's rental agreement has been entered into by the Company and the Hospital for a term of 10 years commenced on 1 January 2017.

Given that the Company has been responsible for the business operation of the Hospital since 1 October 2016, which has helped the expansion of the operation and the improvement of its medical and health care conditions of the Hospital, the Directors believe that the Acquisition will further facilitate better management, enhance its profitability of the Target Company.

After Completion, the Target Company will enjoy the platform and additional resources offered by the Group to expand its service areas, improve its management effectiveness and operation efficiency. Moreover, the Hospital will be transformed from not-for-profit hospital to for-profit hospital which has less restriction in expansion and also allows for dividend distribution. The Company believes that through such efforts in business development, the Target Company will be able to enhance its profitability and for the Group.

The Board considers that the terms of the Share Purchase Agreement and the Acquisition and the Deposit are fair and reasonable and on normal commercial terms, and after considering the operating conditions and the potential growth of the Hospital after the transformation from a not-for-profit hospital to a for-profit hospital and the synergistic effect arising from the Acquisition as disclosed above, considers the Acquisition and the Deposit are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition and the Deposit exceed 25% but are less than 100%, the Acquisition and the Deposit constitute a major acquisition of the Company under the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

SGM

An SGM will be held for the Shareholders to consider and, if thought fit, approve the Acquisition and the Deposit. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting in relation to the resolution to approve, among other things, the Acquisition and the Deposit at the SGM.

Despatch of Circular

A circular containing, among other things, (i) further details of the Acquisition and the Deposit; (ii) the financial and other information on the Group; (iii) the financial and other information on the Target Company; (iv) the pro forma financial information of the Enlarged Group upon Completion; and (v) a notice of the SGM, is expected to be despatched to the Shareholders on or before 31 January, 2019 as additional time is required for the preparation of the relevant information to be included in the circular.

Shareholders and potential investors of the Company should note that the Acquisition and the Deposit are subject to a number of conditions precedent which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the shares by the Purchaser at the Consideration pursuant to the terms and conditions of the Share Purchase Agreement
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday in Hong Kong and the PRC when commercial banks in Hong Kong and the PRC are open for business
“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

“Class II general Hospital”	the regional hospital designated as Class II hospital by the NHFPC hospital classification system, typically have 100 to 500 beds in operation, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
“connected person”	has the meaning ascribed to it under the Listing Rules
“Completion”	completion of the Acquisition, as more particularly described in the paragraph “Completion” in this announcement
“Conditions Precedent”	the conditions precedent to Completion, as more particularly described under the paragraph “Conditions Precedent” in this announcement
“Consideration”	RMB4.2 million (equivalent to approximately HK\$4.79 million) payable by the Purchaser to the Vendors pursuant to the Share Purchase Agreement, as more particularly described in the paragraph “Consideration” in this announcement
“Director(s)”	director(s) of the Company
“Deposit”	the deposit in the total sum of RMB1.8 million (equivalent to approximately HK\$2.05 million) to be paid by the Purchaser pursuant to the Share Purchase Agreement in respect of the possible acquisition of the remaining 30% share capital of the Target Company upon request of the Purchaser when the PRC laws, regulations and policies allow
“Enlarged Group”	the Group as enlarged by the Acquisition
“Group”	the Company and its subsidiaries
“Hospital”	Anping Bo’ai Hospital*(安平博愛醫院), a private Class II not-for-profit general hospital located in Anping County, Hebei Province, the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party (ies)”	party (ies) who is/are independent of the Company and its connected person(s) (as defined in the Listing Rules)

“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 2016 Agreement
“Long Stop Date”	being 30 June, 2019 or such later date as may be agreed by parties to the Share Purchase Agreement, as more particularly described in the paragraph “Long Stop Date” in this announcement
“Management Company”	中衛健康產業(深圳)有限公司 (transliterated as Zongwei Health Industries (Shenzhen) Co., Ltd.), a company established in accordance with the laws of the PRC and is wholly-owned by the Company
“Mr. Han”	Mr. Han Jianbin(韓建彬), one of the Vendors who owned as to 15% of the Hospital
“Mr. Sang”	Mr. Sang Shiwen(桑世玟), one of the Vendors who owned as to 85% of the Hospital
“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”	北京中衛康融醫院管理有限公司 (transliterated as Beijing Zhongweikangrong Hospital Management Co., Ltd.), a company established in accordance with the laws of the PRC and wholly-owned by the Zongwei Health Industries (Shenzhen) Co., Ltd.(as the Purchaser)
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition, the Deposit and the transactions contemplated thereunder
“Share Purchase Agreement”	an agreement dated 28 December, 2018 (after trading hours) entered into between the Purchaser, Mr. Sang and Mr. Han, as the Vendors and the Hospital in relation to the acquisition of the 70% shareholding of the Target Company

“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	安平康融醫院有限公司 (transliterated as Anping Kangrong Hospital Co., Ltd.), a company to be incorporated in the PRC, will be held as to 85% and 15% by Mr. Sang and Mr. Han respectively prior to the Completion.
“Vendors”	Mr. Sang Shiwen(桑世玟)and Mr. Han Jianbin(韓建彬)
“2016 Agreement”	an agreement dated 12 September 2016 (as supplemented by supplemental agreement dated 29 September 2016) (after trading hours) entered into between the Company, the Management Company, the Hospital, Mr. Sang and Mr. Han in relation to the grant of the right to operate the Hospital to the Management Company
“%”	per cent

By order of the Board
China Health Group Limited
Zhang Fan

Chairman of the Board and Executive Director

Hong Kong, 28 December 2018

Unless indicated otherwise in this announcement, the exchange rate of HK\$1 to RMB0.87748 has been used, where applicable, for illustration purposes only and does not constitute any representation that any amount has been, could have been or may be exchanged at such rate or any other rates or at all on the date or dates in question or any other date.

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Zhang Fan (chairman), Mr. Chung Ho, Mr. Wang Jingming, and Mr. Weng Yu; four non-executive Directors, namely, Mr. Xing Yong, Mr. Wang Yuexiang, Mr. Huang Lianhai and Mr. Qiu Peiyuan; and three independent non-executive Directors, namely, Mr. Xiao Zuhe, Mr. Jiang Xuejun and Mr. Du Yanhua.

* *For identification purpose*