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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)

ISSUE OF SHARES UNDER GENERAL MANDATE

On 11 September 2018 (after trading hours of the Stock Exchange), the Company and the Trustee entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Trustee has conditionally agreed to subscribe for, on behalf of and for the benefit of the Beneficiaries, an aggregate of 100,000,000 Subscription Shares at a subscription price of HK\$0.10 per Subscription Share.

The 100,000,000 Subscription Shares represent approximately 2.75% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of allotment and issue of the Subscription Shares.

The subscription price of HK\$0.10 per Subscription Share represents (i) a discount of approximately 13.04% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 11 September 2018, being the date of the Subscription Agreement; and (ii) a discount of approximately 13.79% to the average closing price of HK\$0.116 per Share as quoted on the Stock Exchange for the last five trading days up to and including 10 September 2018, being the date immediately preceding the date of the Subscription Agreement.

Completion of the Subscription Agreement is conditional upon the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares.

The gross proceeds from the Subscription will be HK\$10,000,000 and the net proceeds from the Subscription, after deduction of the expenses related to the Subscription of approximately HK\$400,000, is estimated to be approximately HK\$9,600,000, which is intended to be used for the Group's future business development, investment and general working capital purposes.

The Subscription Shares will be issued under the General Mandate and is not subject to the Shareholders' approval.

INTRODUCTION

On 11 September 2018 (after trading hours of the Stock Exchange), the Company and the Trustee entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Trustee has conditionally agreed to subscribe for, on behalf of and for the benefit of the Beneficiaries, an aggregate of 100,000,000 Subscription Shares at a subscription price of HK\$0.10 per Subscription Share. Details of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date

11 September 2018

Parties to the Subscription Agreement

Issuer: the Company

Trustee, as subscriber: CHG Victory Limited, a company incorporated in the British Virgin Islands with limited liability, being the trustee which will hold the Subscription Shares on trust for the Beneficiaries. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) each of the Trustee and its ultimate beneficial owner(s) and the Beneficiaries is an Independent Third Party; and (ii) neither the Trustee and its ultimate beneficial owner(s) nor the Beneficiaries will become a substantial shareholder (as defined under the Listing Rules) of the Company immediately upon completion of the Subscription Agreement.

Number of Subscription Shares

The 100,000,000 Subscription Shares represent approximately 2.75% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$10,000,000.

Ranking of the Subscription Shares

The Subscription Shares will rank pari passu in all respects among themselves and with all other fully paid Shares in issue on the date of issue of the Subscription Shares.

Subscription price of the Subscription Shares

The subscription price of HK\$0.10 per Subscription Share represents (i) a discount of approximately 13.04% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 11 September 2018, being the date of the Subscription Agreement; and (ii) a discount of approximately 13.79% to the average closing price of HK\$0.116 per Share as quoted on the Stock Exchange for the last five trading days up to and including 10 September 2018, being the date immediately preceding the date of the Subscription Agreement.

The subscription price of the Subscription Shares was arrived at after arm's length negotiations between the Company and the Trustee with reference to the prevailing market price of the Shares. The Directors are of the view that the subscription price of the Subscription Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The aggregate subscription price of 100,000,000 Subscription Shares in the amount of HK\$10,000,000 shall be payable by the Trustee to the Company upon completion of the Subscription.

Conditions precedent

Completion of the Subscription Agreement is conditional upon the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares. Completion of the Subscription Agreement shall take place within ninety days after the day on which the condition precedent to the Subscription Agreement is fulfilled or such other date as the parties to the Subscription Agreement may agree.

If the above-mentioned condition is not satisfied on or before 31 December 2018, or such later date as agreed by the Company and the Trustee in writing, the Subscription shall lapse and be terminated. All rights, obligations and liabilities of the parties to the Subscription Agreement shall cease and terminate and none of the parties to the Subscription Agreement shall have any claim against any other in respect of the Subscription save for any antecedent breaches of the Subscription Agreement.

GENERAL MANDATE

The Subscription Shares will be issued under the General Mandate and is not subject to the Shareholders' approval. The maximum number of Shares that can be issued under the General Mandate is 727,989,526 Shares. As at the date of this announcement, the Company has not allotted or issued any Share under the General Mandate. After completion of issue and allotment of the Subscription Shares, the remaining balance of the General Mandate will be 627,989,526 Shares. Application will be made by the Company for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

INFORMATION ON THE COMPANY AND REASONS FOR THE SUBSCRIPTION AND USE OF THE PROCEEDS

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of hospital management service, trading of medical equipment and business factoring.

The gross proceeds from the Subscription will be HK\$10,000,000 and the net proceeds from the Subscription, after deduction of the expenses related to the Subscription of approximately HK\$400,000, is estimated to be approximately HK\$9,600,000, which is intended to be used for the Group's future business development, investment and general working capital purposes. The net subscription price per Subscription Share will be approximately HK\$0.096. Based on the closing price of HK\$0.115 per Share on 11 September 2018, being the date of the Subscription Agreement, the Subscription Shares have a market value of HK\$11,500,000.

Given that the Beneficiaries are the key management and/or consultant of the Group and the Trustee will hold the Subscription Shares on trust for, and for the benefit of, the Beneficiaries, the Directors consider that the Subscription shall align the Beneficiaries' personal interest with the interest of the Group so as to ensure the realization of the Company's development strategy and business objectives. Meanwhile, the Subscription represents an opportunity for the Company to broaden its shareholder base and to raise additional funds to strengthen the capital base and financial position of the Group for its future business development.

The Directors consider the terms of the Subscription Agreement, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties to the Subscription Agreement, are fair and reasonable, and the Subscription is in the interests of the Company and Shareholders as a whole.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

There were no equity fundraising activities conducted by the Company through the issue of equity securities in the twelve months immediately preceding this announcement.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company as at the date of this announcement and immediately following the completion of the Subscription Agreement, prepared on the basis that there would be no changes in the issued share capital of the Company after the date of this announcement up to the date of the completion of the Subscription Agreement.

	As at the date of this announcement		Immediately following the completion of the Subscription Agreement	
	Number of Shares	%	Number of Shares	%
Zheng Hua Investment Limited ^(Note 1)	900,000,000	24.73	900,000,000	24.06
Speedy Brilliant Investments Limited ^(Note 2)	276,510,000	7.60	276,510,000	7.39
Coral Point Global Limited ^(Note 3)	210,000,000	5.77	210,000,000	5.62
Pacas Worldwide Limited ^(Note 4)	200,000,000	5.49	200,000,000	5.35
Mr. Ying Wei ^(Note 5)	165,000,000	4.53	165,000,000	4.41
Mr. Wang Jingming ^(Note 6)	11,901,000	0.33	11,901,000	0.32
Mr. Zhang Fan ^(Note 6)	8,565,000	0.24	8,565,000	0.23
Mr. Ma Zhaorui ^(Note 5)	5,064,000	0.14	5,064,000	0.14
Mr. Xing Yong ^(Note 6)	1,398,000	0.04	1,398,000	0.04
the Trustee	–	–	100,000,000	2.67
Other public Shareholders	1,861,509,634	51.13	1,861,509,634	49.77
	<u>3,639,947,634</u>	<u>100.00</u>	<u>3,739,947,634</u>	<u>100.00</u>

Notes:

1. *Zheng Hua Investment Limited is wholly-owned by Shanghai Ying Mao Investment Management Partnership (Limited Partnership) as at the date of this announcement. Zheng Hua Investment Limited also holds convertible notes which can be converted into 400,000,000 Shares at a 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 as at the date of this announcement.*
3. *Coral Point Global Limited is owned as to 77.59% by Ye Zhankun as at the date of this announcement.*
4. *Pacas Worldwide Limited is wholly-owned by Mr. Li Xuguang, a Director in the last 12 months, as at the date of this announcement.*
5. *Being Directors in the last 12 months.*
6. *Being Directors as at the date of this announcement.*

DEFINITIONS

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

“Beneficiaries”	25 persons who are employees and/or consultant of the members of the Group, all being Independent Third Parties;
“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 Stock Exchange;
“connected person”	has the meaning as defined in the Listing Rules;
“Director(s)”	director(s) of the Company;
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 27 September 2017, under which up to a total of 727,989,526 Shares (being up to 20% of the total issued share capital of the Company as at the date of the passing of the relevant resolution, which was 27 September 2017) can be allotted and issued by the Directors;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and the connected persons of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified or supplemented from time to time;
“PRC”	the People’s Republic of China, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of an aggregate of 100,000,000 Subscription Shares by the Trustee in accordance with the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 11 September 2018 entered into between the Company and the Trustee in relation to the Subscription;
“Subscription Share(s)”	new Shares to be issued by the Company to the Trustee upon completion of the Subscription Agreement;
“Trustee”	CHG Victory Limited, being the trustee which will hold the Subscription Shares on trust for the Beneficiaries; and
“%”	per cent.

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

Hong Kong, 11 September 2018

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 four independent non-executive Directors, namely, Mr. Xiao Zuhe, Mr. Xin Hua, Mr. Jiang Xuejun and Mr. Du Yanhua.