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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)

**PLACING OF NEW SHARES UNDER GENERAL MANDATE**

The Board is pleased to announce that after the Stock Exchange trading hours on 28 August 2020, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis during the Placing Period, up to 400,000,000 Placing Shares to independent Places at the Placing Price of HK\$0.10 per Placing Share.

The Placing Agent has also undertaken to the Company that without prejudice to the Placing on best efforts basis, it will and/or will procure its agent to place out not less than 250,000,000 Placing Shares successfully in any event. The Placing Agent has also agreed that should the total number of Placing Shares to be placed out by it successfully fall below 250,000,000 Placing Shares, the Company shall have the absolute right to terminate the Placing Agreement.

Assuming that there is no other change in the issued share capital of the Company from the date of this announcement to completion of the Placing, (A) the 250,000,000 Placing Shares represent (i) approximately 6.04% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.69% of the issued share capital of the Company as enlarged by the allotment and issue of such Placing Shares; and (B) the maximum number of 400,000,000 Placing Shares represents (i) approximately 9.66% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.81% of the issued share capital of the Company as enlarged by the allotment and issue of such Placing Shares.

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors at the 2019 AGM. An application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Placing Shares.

The maximum amount of net proceeds to be received by the Company from the Placing, after deducting related fees and expenses, are estimated to be approximately HK\$39 million. The Company intends to apply such net proceeds for increasing the amount of procurement of inventories for the Group's medical equipment and consumables distribution and service business and as general working capital of the Group.

**Shareholders and potential investors of the Company should note that completion of the Placing is subject to fulfilment of the condition under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

The Board is pleased to announce that after the Stock Exchange trading hours on 28 August 2020, the Company entered into the Placing Agreement with the Placing Agent to conduct the Placing, details of which are set out below.

## **THE PLACING AGREEMENT**

### **Date**

28 August 2020

### **Parties**

- (i) The Company; and
- (ii) the Placing Agent.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner are third parties independent of, and not connected with, the Company and its connected persons. The Placing Agent is a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities.

### **The Placing**

The Company has conditionally agreed to place through the Placing Agent, on a best effort basis during the Placing Period, up to 400,000,000 Placing Shares to independent Placees at the Placing Price.

The Placing Agent has also undertaken to the Company that without prejudice to the Placing on best efforts basis, it will and/or will procure its agent to place out not less than 250,000,000 Placing Shares successfully in any event. The Placing Agent has agreed that should the total number of Placing Shares to be placed out by it successfully fall below 250,000,000 Placing Shares, the Company shall have the absolute right to terminate the Placing Agreement and thereafter all liabilities of the parties under the Placing Agreement shall cease and determine and no party to the Placing Agreement shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement.

### **The Placing Price**

The Placing Price of HK\$0.10 per Placing Share represents:

- (i) a premium of approximately 66.67% over the closing price of HK\$0.060 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a premium of approximately 85.19% over the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 78.57% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK\$0.056 per Share;
- (iv) a premium of approximately 68.92% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.0592 per Share; and
- (v) a premium of approximately 400% over the equity attributable to owners of the Company of approximately HK\$0.02 per Share (calculated based on the audited equity attributable to owners of the Company of approximately HK\$97.0 million as at 31 March 2020 and 4,139,947,634 Shares in issue as at that date).

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent based on the par value of the Shares, and having taken into account the prevailing market prices of the Shares and the net asset value per Share attributable to owners of the Company. The Directors consider that the terms and condition of the Placing Agreement (including the Placing Price) are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

## **The Placing Shares**

Assuming that there is no other change in the issued share capital of the Company from the date of this announcement to completion of the Placing, (A) the 250,000,000 Placing Shares represent (i) approximately 6.04% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.69% of the issued share capital of the Company as enlarged by the allotment and issue of such Placing Shares; and (B) the maximum number of 400,000,000 Placing Shares represents (i) approximately 9.66% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.81% of the issued share capital of the Company as enlarged by the allotment and issue of such Placing Shares. The aggregate nominal value of the 250,000,000 Placing Shares is HK\$25 million and the maximum number of 400,000,000 Placing Shares is HK\$40 million.

The Placing Shares shall rank *pari passu* among themselves and with the Shares in issue as at the date of the allotment and issue of the Placing Shares.

## **The Placees**

The Placing Agent shall place the Placing Shares to not less than six Placees who are individuals, corporates and/or institutional investors. The Placing Agent shall use its best endeavours to ensure that the Placees and their ultimate beneficial owners are third parties independent of the Company and its connected persons or are not acting in concert with any of them. It is also expected that no individual Placee shall become a substantial Shareholder immediately after completion of the Placing.

## **Placing commission**

The Placing Agent will receive a placing commission of 2% on the gross proceeds of the Placing Shares which are successfully placed by the Placing Agent. The commission rate was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to market practices.

## **Condition**

The Placing is conditional upon the Listing Committee of the Stock Exchange granting a listing of, and permission to deal in, the Placing Shares.

In the event the aforesaid condition is not fulfilled by 25 September 2020 (or such later date as may be agreed by the Placing Agent and the Company in writing), all rights, obligations and liabilities of the parties under the Placing Agreement shall cease and determine and neither party shall have any claim against the other save for any antecedent breaches.

## **Completion**

Completion of the Placing shall take place on the fourth Business Day after the fulfilment of the condition set out in the Placing Agreement (or such other date as the Company and the Placing Agent may agree in writing).

## **General Mandate to issue the Placing Shares**

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors at the 2019 AGM.

Under the General Mandate, a maximum of 827,989,526 new Shares may be allotted and issued by the Company. Up to the date of this announcement, the Company has not issued any Shares pursuant to the General Mandate. Accordingly, the allotment and issue of the Placing Shares is not subject to the approval of the Shareholders.

## **Application for listing**

An application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Placing Shares.

## **Termination of the Placing Agreement**

The Placing Agent may in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the date of completion of the Placing if:

- (i) there is any change in national, international, financial, exchange control, political or economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (ii) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (iv) any statement contained in all announcements, circulars, interim and annual reports issued by the Company to the Stock Exchange and/or the Shareholders since the publication of the annual report of the Company relating to the annual results of the Company for the year ended 31 March 2020 has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

The Company may, in its reasonable opinion, terminate the Placing Agreement by notice in writing to the Placing Agent at any time up to 8:00 a.m. on the date of completion of the Placing if the total number of Placing Shares to be placed out successfully by the Placing Agent is less than 250,000,000 Placing Shares, or if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Placing Agreement and such breach is considered by the Company on reasonable grounds to be material.

Upon termination of the Placing Agreement, all liabilities of the parties thereunder shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing, assuming only 250,000,000 Placing Shares are successfully placed out; and (iii) immediately after completion of the Placing, assuming the maximum number of Placing Shares are successfully placed out:

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Placing assuming only 250,000,000 Placing Shares are successfully placed out		Immediately after completion of the Placing assuming the maximum number of Placing Shares are successfully placed out	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Zhang Fan ( <i>Note 1</i> )	17,074,000	0.41	17,074,000	0.39	17,074,000	0.38
Treasure Wagon Limited ( <i>Note 1</i> )	1,160,000,000	28.02	1,160,000,000	26.42	1,160,000,000	25.55
Mr. Wang Jianming ( <i>Note 2</i> )	19,968,000	0.48	19,968,000	0.46	19,968,000	0.44
Mr. Xing Yong ( <i>Note 2</i> )	1,398,000	0.04	1,398,000	0.03	1,398,000	0.03
Speedy Brilliant Investments Limited ( <i>Note 3</i> )	276,510,000	6.68	276,510,000	6.30	276,510,000	6.09
Placees	–	–	250,000,000	5.69	400,000,000	8.81
Other public Shareholders	2,664,997,634	64.37	2,664,997,634	60.71	2,664,997,634	58.70
<b>Total</b>	<b>4,139,947,634</b>	<b>100.00</b>	<b>4,389,947,634</b>	<b>100.00</b>	<b>4,539,947,634</b>	<b>100.00</b>

Notes:

1. Mr. Zhang Fan is the Chairman of the Board and an executive Director. Treasure Wagon Limited is a company wholly-owned by Mr. Zhang Fan.
2. Mr. Wang Jianming and Mr. Xing Yong is an executive Director and a non-executive Director respectively.
3. Speedy Brilliant Investments Limited is wholly-owned by Mr. Zhou Disun.

## **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS**

The Company has not undertaken any equity fund raising exercise over the period of twelve months prior to the date of this announcement.

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

The Group is principally engaged in the distribution and service in medical equipment and consumables, provision of hospital operation and management service and business factoring.

As mentioned in the annual report of the Company for the year ended 31 March 2020, with the continuous social and economic development, urbanisation and huge ageing population in Mainland China, the medical and healthcare industry has shown a diversified and continuous growth in recent years. The Company considers there is huge market potential and prospects for the Group to expand its businesses. In the near future, the Group will continue to invest more resources to further expand the distribution network and gradually increase the diversity of products for its medical equipment and consumables distribution and service business in order to capture the market opportunities. The Directors consider that the Placing represents an opportunity to raise capital for the Company's continuous business development while broadening its shareholder and capital base, and is in the interests of the Company and the Shareholders as a whole.

Assuming that all Placing Shares are fully placed out, the estimated gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing shall amount to approximately HK\$40 million and approximately HK\$39 million respectively. The net Placing Price is approximately HK\$0.0975 per Placing Share. The Company intends to apply approximately HK\$28 million of the net proceeds for increasing the amount of procurement of inventories for the Group's medical equipment and consumables distribution and service business and the balance of the net proceeds of approximately HK\$11 million for general working capital of the Group. In the event that the actual net proceeds raised upon completion of the Placing is less than HK\$39 million, the Company will first reduce the net proceeds to be applied for increasing the amount of procurement of inventories by the corresponding shortfall. For instance, if only 250,000,000 Placing Shares are successfully placed out, the gross proceeds and the estimated net proceeds will be approximately HK\$25 million and HK\$24.3 million respectively, and the net proceeds will be applied as to approximately HK\$13.3 million for increasing the amount of procurement of inventories and the balance of approximately HK\$11 million for general working capital of the Group.

**Shareholders and potential investors of the Company should note that completion of the Placing is subject to fulfilment of the condition under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**



## DEFINITIONS

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

“2019 AGM”	the annual general meeting of the Company held on 3 September 2019
“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 are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Health Group Limited (stock code: 673), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the 2019 AGM, pursuant to which the Company has been authorised to allot, issue and deal with up to 827,989,526 new Shares, being 20% of the then issued share capital of the Company as at the date of passing such resolution
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Last Trading Day”	27 August 2020, being the last trading day of the Shares prior to the date of the Placing Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	the subscriber(s) procured by the Placing Agent to subscribe for the Placing Shares
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Yuet Sheung International Securities Limited
“Placing Agreement”	the placing agreement dated 28 August 2020 entered into between the Company and the Placing Agent in respect of the Placing
“Placing Period”	the period commencing from 28 August 2020 and ending on 17 September 2020 (both days inclusive), or such other period as may be agreed between the Company and the Placing Agent in writing
“Placing Price”	the issue price of HK\$0.10 per Placing Share
“Placing Shares”	up to a maximum of 400,000,000 Shares to be placed by the Placing Agent pursuant to the Placing Agreement, and each, a “Placing Share”
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder”	has the meaning ascribed to it under the Listing Rules

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent

By order of the Board  
**China Health Group Limited**  
**Zhang Fan**  
*Chairman of the Board and Executive Director*

Hong Kong, 28 August 2020

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhang Fan (chairman), Mr. Chung Ho and Mr. Wang Jingming; three non-executive Directors, namely, Mr. Weng Yu, Mr. Xing Yong and Mr. Huang Lianhai; and four independent non-executive Directors, namely, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Meng Junfeng.*