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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**RELATING TO**  
**ACQUISITION OF 75% EQUITY INTEREST IN**  
**BLOOM KING CORPORATION LIMITED**

After the Stock Exchange trading hours on 17 March 2021, the Purchaser (a wholly-owned subsidiary of the Company), the Company, the Vendor and Mr. Ho entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan for an aggregate consideration of HK\$14.6 million, which shall be settled as to HK\$6.0 million in cash and as to HK\$8.6 million by the issue of the Loan Note by the Purchaser to the Vendor.

As at the date of this announcement, Mageruizi Wuhan is owned as to 51% by the Group and 49% by the Target. Following Completion, the Company will indirectly own a 75% equity interest in the Target and the effective equity interest held by the Group in Mageruizi Wuhan will increase from 51% at present to 87.75%.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

By virtue of the Vendor being an associate of a connected person of the Company at the subsidiary level, the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, as the Board has approved the Acquisition and the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and on normal commercial terms or better and the Acquisition is in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and shareholders' approval requirements.

The Board is pleased to announce that after the Stock Exchange trading hours on 17 March 2021, the Purchaser (a wholly-owned subsidiary of the Company), the Company, the Vendor and Mr. Ho entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan for an aggregate consideration of HK\$14.6 million, which shall be settled partly in cash and partly by the issue of the Loan Note by the Purchaser to the Vendor. As at the date of this announcement, Mageruizi Wuhan is owned as to 51% by the Group and 49% by the Target. Following Completion, the Company will indirectly own a 75% equity interest in the Target and the effective equity interest held by the Company in Mageruizi Wuhan will also increase from 51% at present to 87.75%. Details of the Agreement are set out below.

## **THE AGREEMENT**

### **Date**

17 March 2021

### **Parties**

- (i) Pioneer Kingdom Limited, a wholly-owned subsidiary of the Company, as purchaser;
- (ii) the Company, as guarantor to guarantee the performance of the obligations by the Purchaser under the Agreement;
- (iii) Alpha Success International Limited, as vendor; and
- (iv) Mr. Ho Pei Lin, as guarantor to guarantee the performance of the obligations by the Vendor under the Agreement.

As at the date of this announcement, the Company, through its wholly-owned subsidiary, owns a 51% equity interest in Mageruizi Wuhan which is accounted for as a subsidiary of the Company. The remaining 49% equity interest in Mageruizi Wuhan is owned by the Target which is in turn wholly owned by the Vendor. Accordingly, the Vendor is an associate of the Target and a connected person of the Company at the subsidiary level. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Vendor is a company incorporated in Samoa with limited liability and is principally engaged in investment holding; (ii) the ultimate beneficial owner of the Vendor is Mr. Ho; (iii) Mr. Ho holds 300,000 Shares, representing approximately 0.007% of the issued share capital of the Company as at the date of this announcement, and (iv) apart from being co-investors in Mageruizi Wuhan and therefore a connected person of the Company at the subsidiary level as explained above and his minority shareholding in the Company, the Vendor and its ultimate beneficial owner are otherwise third parties independent of the Company and its connected persons.

### **Subject matter**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan.

The Sale Shares represent 75% of the total equity interest in the Target. The principal asset of the Target is its 49% investment in Mageruizi Wuhan. Please refer to the section headed "Information on Mageruizi Wuhan" below for details.

The Sale Loan represents 75% of the total outstanding amounts owing by the Target to the Vendor at Completion. As at the date of this announcement, the total outstanding amounts owed by the Target to the Vendor amounts to approximately HK\$5.3 million.

### **Consideration**

The Consideration is HK\$14.6 million and shall be settled at Completion in the following manner:

- (i) as to HK\$6.0 million shall be payable by the Purchaser to the Vendor in cash; and
- (ii) as to HK\$8.6 million shall be settled by the issue of the Loan Note by the Purchaser to the Vendor.

The Consideration was determined by the Purchaser and the Vendor after arm's length negotiations with reference to (i) the historical financial performance and business development of Mageruizi Wuhan; (ii) the future prospects of Mageruizi Wuhan as well as the high-quality medical equipment and consumables market; and (iii) the equity interest in Mageruizi Wuhan held by the Target.

The Company intends to finance the payment of the Consideration by internal resources of the Group.

## **Loan Note**

The principal terms of the Loan Note are summarised as follows:

Principal amount:	HK\$8.6 million
Issue date:	the date of Completion
Interest:	the Loan Note does not carry any interest
Maturity:	the date falling six month after the issue date of the Loan Note (the “ <b>Maturity Date</b> ”)
Transferability:	the Loan Note may be freely transferable
Early repayment:	the Purchaser may at its sole discretion elect to repay all or any part of the amount outstanding under the Loan Note at any time prior to the Maturity Date
Security:	the Loan Note is unsecured

## **Conditions precedent**

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Purchaser (at its opinion) being satisfied with the results of the due diligence review, including but not limited to the financial, legal and business aspects of the Target;
- (ii) the warranties given by the Vendor under the Agreement remaining true, accurate and complete in all material respect and not misleading;
- (iii) if necessary, the passing by the Shareholders at a special general meeting of the Company convened and held to approve the Agreement and the transactions contemplated thereunder; and
- (iv) if necessary, all governmental or regulatory or other third parties’ consents and approvals required to be obtained in respect of the Agreement and the transactions contemplated thereunder having been obtained.

The Purchaser may at its absolute discretion at any time waive conditions (i) and (ii) above. Conditions (iii) and (iv) are not capable of being waived.

If any of the above conditions have not been fulfilled or waived (as the case maybe) on or before the date falling 60 days after the date of the Agreement (or such later date as the parties to the Agreement may agree), the Agreement shall cease and determine and no party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Agreement.

### **Vendor's guarantee**

Pursuant to the Agreement, the Vendor has undertaken and guaranteed that, among other things, the total liabilities of the Target (the "**Target's Liability**") at the date of Completion shall not exceed HK\$5,295,000. In the event that the Target's Liability exceeds such amount, the Vendor shall indemnify the Purchaser 75% of the amount exceeding the Target's Liability.

### **Completion**

Completion shall take place on the 5th Business Day after all the conditions precedent under the Agreement having been fulfilled or waived (as the case maybe) or such other date as the parties to the Agreement may agree.

### **INFORMATION ON THE TARGET**

The Target is an investment holding company incorporated in Hong Kong on 18 December 2020 with limited liability and is wholly owned by the Vendor as at the date of this announcement. Apart from its investment in 49% of the equity interest in Mageruizi Wuhan which is accounted for as an investment in associate in the financial statements of the Target, the Target has no other business operation or material assets.

As the Target is newly incorporated, no financial information for the previous two financial years is available. As at 28 February 2021, the unaudited net asset value of the Target was approximately HK\$5,000.

Following Completion, 75% and 25% of the entire equity interest of the Target will be held by the Purchaser and the Vendor respectively. The Target shall be accounted as a non-wholly-owned subsidiary in the consolidated financial statements of the Group.

## INFORMATION ON MAGERUIZI WUHAN

Mageruizi Wuhan was established on 28 August 2018 in the PRC with limited liability. Since its establishment, Mageruizi Wuhan has been accounted as a non-wholly-owned subsidiary in the consolidated financial statements of the Group. The principal activity of Mageruizi Wuhan is distribution of high-quality medical equipment and consumables and provision of related pre-sale and after-sale services in Wuhan area in the PRC.

The following table summarises the unaudited financial information of Mageruizi Wuhan extracted from the audited consolidated financial statements of the Group for each of the two financial years ended 31 March 2019 and 2020:

	<b>Year ended</b> <b>31 March 2019</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>Year ended</b> <b>31 March 2020</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Profit before tax	147.8	1,963.1
Profit after tax	138.7	1,844.5

As at 28 February 2021, the unaudited net asset value of Mageruizi Wuhan was approximately HK\$12.5 million.

Following Completion, the Company will be interested in an effective 87.75% equity interest in Mageruizi Wuhan.

Based on the information provided by the Vendor, the original acquisition cost of the Vendor for the 49% equity interest in Mageruizi Wuhan held through the Target was approximately HK\$5.3 million.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in distribution of medical equipment and consumables and provision of related services (the “**Medical Distribution Business**”), provision of hospital operation and management service and business factoring.

Mageruizi Wuhan is the principal operating arm of the Medical Distribution Business. As disclosed in the interim report of the Company for the six months ended 30 September 2020, the Group recorded a significant increase in revenue mainly attributable to the increase in trading income of the Medical Distribution Business. During the six months ended 30 September 2020, the Group recorded revenue of approximately HK\$24.4 million, representing an increase of approximately 58.9% compared with last corresponding period, and operating profit of approximately HK\$0.8 million, respectively, from the Medical Distribution Business

Since its establishment, Mageruizi Wuhan has continued its expansion and achieved a substantial increase in sales. It secured new hospital customers, including a batch of top quality hospitals such as Hubei Provincial People's Hospital (湖北省人民醫院) and Zhongnan Hospital of Wuhan University. In order to maintain client relationship and secure long term businesses with its customers, Mageruizi Wuhan also provides certain value-added pre-sale and after-sale services to the customers including but not limited to provision of training and consultation on equipment utilisation, soliciting market professionals and experts to conduct seminars on market trends and recent technology, launching experience exchange sessions and organising other marketing events. As such, Mageruizi Wuhan has established cooperating relationship with well-known domestic and foreign manufacturers such as Microport Scientific Corporation, a renowned global medical device developer and manufacturer, to facilitate the distribution business of medical equipment and consumables. Mageruizi Wuhan has also diversified its products from equipment and consumables principally for percutaneous coronary intervention surgery to other medical area. Amidst the challenging environment under the unprecedented COVID-19 pandemic, Mageruizi Wuhan still managed to achieve growth in revenue and profits. It is expected that Mageruizi Wuhan will continue its development momentum in the coming years.

Having considered the satisfactory performance and the prospects of Mageruizi Wuhan, the Board considers that the Acquisition represents a good opportunity for the Group to increase its equity interest in Mageruizi Wuhan and thereby enhance the profitability of the Group. It also lays the foundation for the Group to develop the upstream industrial chain of research and development and manufacturing. The Board (including independent non-executive Directors) is of the view that the terms of the Agreement (including the Consideration) are fair and reasonable and on normal commercial terms or better, and the Acquisition is in the interests of the Company and the Shareholders as a whole. No Directors had a material interest in the transactions contemplated under the Acquisition and the Agreement.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

By virtue of the Vendor being an associate of a connected person of the Company at the subsidiary level, the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, as the Board has approved the Acquisition and the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and on normal commercial terms or better and the Acquisition is in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and shareholders' approval requirements.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 17 March 2021 and entered into among the Purchaser, the Company, the Vendor and Mr. Ho in relation to the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open for general banking business in Hong Kong
“Company”	China Health Group Limited (stock code: 673), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition contemplated under the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Shares and the Sale Loan payable to the Vendor pursuant to the terms of the Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note”	the loan note to be issued by the Purchaser to the Vendor upon Completion to settle part of the Consideration
“Mageruizi Wuhan”	Mageruizi (Wuhan) Medical Technology Development Co., Ltd. (馬格瑞茲(武漢)醫療技術發展有限公司), a company established in the PRC with limited liability which is owned as to 51% by the Purchaser and 49% by the Target as at the date of this announcement



“Mr. Ho”	Mr. Ho Pei Lin, the sole and ultimate beneficial owner of the Vendor
“PRC”	the People’s Republic of China and for the purpose of this announcement exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Pioneer Kingdom Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Loan”	75% of the total outstanding amounts owing by the Target to the Vendor at Completion
“Sale Shares”	7,500 issued ordinary shares of the Target, representing 75% of the total equity interest in the Target as at the date of the Agreement
“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
“Target”	Bloom King Corporation Limited (隆皇有限公司), a company incorporated in Hong Kong with limited liability which is wholly owned by the Vendor as at the date of this announcement
“Vendor”	Alpha Success International Limited, a company incorporated in Samoa with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board of  
**China Health Group Limited**  
**Zhang Fan**

*Chairman of the Board and Executive Director*

Hong Kong, 17 March 2021

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; two non-executive Directors, namely, 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.