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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 CONVERTIBLE BONDS UNDER GENERAL MANDATE**

**PLACING OF CONVERTIBLE BONDS**

On 9 June 2022 (after trading hours of the Stock Exchange), the Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Convertible Bonds in the aggregate principal amount of up to HK\$82,000,000 on a best effort basis to not less than six institutional, corporate or individual investors who are recognized as professional investors under the Securities and Futures Ordinance and who and whose ultimate beneficial owners are Independent Third Parties and not acting in concert (as defined in the Takeovers Code) with each other.

Upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.10 per Conversion Share, a total of 820,000,000 Conversion Shares will be allotted and issued, which represent (i) approximately 18.68% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.74% of the issued share capital of the Company as enlarged by the Conversion Shares (assuming there is no other change in the number of issued Shares between the date of this announcement and the full conversion of the Convertible Bonds). The aggregate nominal value of the Conversion Shares will be HK\$82,000,000.

The maximum number of 820,000,000 Conversion Shares, calculated according to the maximum principal amount of the Convertible Bonds and the initial Conversion Price, are to be issued within the limit of 827,989,526 Shares of the unutilized portion of the General Mandate.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares.

Assuming all the Convertible Bonds under the Placing Agreement have been placed, the gross proceeds and the net proceeds from the Placing will amount to HK\$82,000,000 and approximately HK\$80,000,000, respectively. It is expected that the net proceeds from the Placing will be applied (i) as the general working capital of the Group; and (ii) for any possible business development and investment of the Group when there arises any appropriate opportunity.

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

**Shareholders and potential investors should note that the Placing is subject to the satisfaction of the conditions precedent as set out in the section headed “Conditions Precedent” and the Placing Agent not having terminated the Placing Agreement in accordance with the terms thereunder. Accordingly, the Placing may or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisors.**

## **THE PLACING AGREEMENT**

The principal terms of the Placing Agreement are set out below:

**Date** : 9 June 2022

**Parties** : The Company as the issuer; and

Great Bay Securities Limited as the placing agent

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

## **Subject Matter**

The Company has appointed the Placing Agent to place the Convertible Bonds in the aggregate principal amount of up to HK\$82,000,000 on a best effort basis to not less than six institutional, corporate or individual investors who are recognized as professional investors under the Securities and Futures Ordinance and who and whose ultimate beneficial owners are Independent Third Parties and not acting in concert (as defined in the Takeovers Code) with each other. It is expected that none of the Placees will become a substantial Shareholder (as defined in the Listing Rules) after conversion of the Convertible Bonds placed to the Placees.

## **Placing Commission**

The Placing Agent will receive a placing commission of 2% of the aggregate issue price of the Convertible Bonds successfully placed to the Placees as procured by the Placing Agent. Such placing commission was arrived at after arm's length negotiation between the Company and the Placing Agent and with reference to the prevailing market condition.

## **Conditions Precedent**

The Completion of the Placing is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

1. the Listing Approval having been obtained and not subsequently revoked prior to Completion;
2. no representation, warranty or undertaking under the Placing Agreement having been breached by the Company or failure to perform by the Company of the obligations thereunder or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to Completion; and
3. the Placing Agreement not having been terminated in accordance with its terms.

If the above conditions precedent have not been fulfilled on or before the Long Stop Date, the Placing Agreement shall lapse immediately and be of no further effect and neither the Company nor the Placing Agent shall have any claim against or liability or obligation to each other under the Placing Agreement save for any rights or obligations which may accrue prior to the date of such termination.

## **Completion**

Subject to the fulfilment of the conditions precedent set out in the Placing Agreement, Completion shall take place on the Placing Closing Date. Upon Completion, the Placing Agent shall pay the aggregate principal amount of the Convertible Bonds which are successfully placed to the Company.

## Termination

The Placing Agreement may be terminated by the Placing Agent without any liability to the Company, by notice in writing given to the Company at any time prior to 9:00 a.m. on the Placing Closing Date upon the occurrence of any of the following events:

- (i) any breach of any of the representations and warranties set out in the Placing Agreement or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any respect or there has been a breach by the Company of any other provision of the Placing Agreement;
- (ii) any event, or series of events, beyond the control of the Placing Agent as would be likely to materially prejudice the consummation of the Placing;
- (iii) any change or development involving an adverse prospective change in local, national or international economic, financial, political or military conditions as would reasonably be likely to adversely prejudice the consummation of the Placing;
- (iv) any new laws or regulations or any change in existing laws or regulations or any change or any adverse prospective change in the interpretation or application of the laws or regulations by any court or other competent authority in any of Hong Kong, the PRC or any other jurisdictions relevant to any member of the Group as would reasonably be likely to prejudice the consummation of the Placing;
- (v) any suspension of dealings in the Shares during the placing period for a consecutive period of three (3) Business Days (other than as a result of the Placing);
- (vi) the commencement by any state, governmental, judicial, regulatory or political body or organization of any action against any director of the Company or an announcement by any state, governmental, judicial, regulatory or political body or organization that it intends to take any such action which is likely to be materially and adversely affect the success of the Placing or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;
- (vii) there is any change or development involving an adverse prospective change (or any event or series of events reasonably likely to result in any change or development involving a prospective change) in the conditions, management, business affairs, prospects, stockholders' equity, profits, losses or the financial or business or trading position or performance of the Group which is material in the context of the Placing.

## **Principal Terms of the Convertible Bonds**

- Issuer** : The Company.
- Aggregate principal amount** : The aggregate principal amount of the Convertible Bond is HK\$82,000,000.
- Issue Price** : 100% of the aggregate principal amount of the Convertible Bonds actually placed.
- Interest** : The Convertible Bonds shall bear an interest from and including the date of issue of the Convertible Bonds to the Maturity Date at the rate of 6% per annum payable on a yearly basis.

If the Company does not pay any sum payable under the Convertible Bond when due, it shall pay an additional interest on such sum outstanding in respect of that overdue sum at the rate of 5% per annum for the period beginning on its due date and ending on the date of actual payment.

- Transferability of the Convertible Bonds** : The Convertible Bonds may be freely transferred or assigned in whole or in part by the Bondholders to any party, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company or an associate of such connected person unless the necessary approvals from the independent Shareholders as may be required under the Listing Rules have been obtained and provided that the principal amount to be assigned or transferred is at least HK\$1,000,000.00 and in integral multiples of HK\$1,000,000.00 unless the amount of the outstanding Convertible Bond is less than HK\$1,000,000.00 in which case the whole (but not part only) of that amount may be transferred and assigned.

- Transferability of the Conversion Share(s)** : The Bondholder(s) unconditionally and irrevocably undertakes to the Company that, during the period of 6 months from the date of issue of the Convertible Bond, it shall not (i) sell, (ii) create any encumbrance of any nature, any security interests, hypothecations, pledges, liens, charges or mortgages, or (iii) otherwise dispose of, or (iv) enter into any agreement or arrange to do any of the above, by whatsoever means or through whatsoever channels all and any of the Conversion Shares allotted and issued to it.
- Maturity Date** : The date falling on the second (2<sup>nd</sup>) anniversary of the date of issue of the Convertible Bonds (the “**Maturity Date**”).
- Conversion Price** : HK\$0.10, being the initial conversion price per Conversion Share.

The initial Conversion Price of HK\$0.10 per Conversion Share was arrived at after arm’s length negotiations between the Company and the Placing Agent with reference to the recent market price of the Shares and represents:

- (i) a premium of approximately 112.77% to the closing price of HK\$0.047 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a premium of approximately 100% to the average closing price of approximately HK\$0.050 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Placing Agreement.

**Adjustments to  
Conversion Price**

: The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events:

- (i) consolidation, subdivision or reclassification of the Shares;
- (ii) capitalization of profits or reserves;
- (iii) capital distribution to the Shareholders (including distributions in cash or specie);
- (iv) rights issues of shares or grants of options, warrants or other rights over Shares (at less than 80% of the current market price);
- (v) issues of new Shares or other issues of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the Total Effective Consideration per Share initially receivable for such securities is less than 80% of the current market price, or any modification of rights of conversion which will result in the Total Effective Consideration per Share initially receivable for such securities be reduced to less than 80% of the current market price;
- (vi) issues of new Shares at a price per Share which is less than 80% of the current market price; or
- (vii) modification of rights of conversion.

No adjustment shall be made if it would cause the Conversion Price to become lower than the nominal value of the Conversion Shares to be issued.

**Other major terms in relation to adjustment to Conversion Price**

Where, following any corporate actions of the Company, including but not limited to consolidation, reduction or subdivision of Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for the Shares, results in an adjustment to the Conversion Price in accordance with the terms of the Convertible Bond, and as a result, the number of the Conversion Shares to be issued would exceed the maximum limit on the allotment and issue of Shares under the General Mandate, the Company shall be entitled to give notice thereof to the Bondholder to satisfy any exercise of the Conversion Rights in excess of the maximum limit on the allotment and issue of the Shares under the General Mandate to which the Bondholder would have been entitled (the “**Excess Conversion Rights**”) upon exercise of the Conversion Rights in cash (the “**Cash Payment**”) by reference to the closing price of the Shares on the trading day immediately preceding the date of the relevant conversion notice, and the Bondholder shall accept the Cash Payment as full settlement of the Excess Conversion Rights.

**Number of Conversion Shares**

: Assuming the conversion rights attaching to the Convertible Bonds have been exercised in full at the initial Conversion Price of HK\$0.10 per Conversion Share, a maximum of 820,000,000 Conversion Shares will be issued, representing approximately 18.68% of the issued share capital of the Company as at the date of this announcement; and approximately 15.74% of the issued share capital of the Company as enlarged by the Conversion Shares (assuming there is no other change in the number of issued Shares between the date of this announcement and the full conversion of the Convertible Bonds).

**Compulsory conversion on Maturity Date**

: Unless previously converted, the Bondholders shall be deemed on Maturity Date to have exercised in full the conversion rights attaching to the Convertible Bond of all the principal amount of the Convertible Bond and the procedure for conversion shall be deemed to have been duly complied with by the Bondholders. For the purpose of this compulsory conversion, the Maturity Date shall be deemed to be the Conversion Date.



- Redemption on Maturity** : Unless previously redeemed, converted, purchased or cancelled, and subject to the compulsory conversion by the Bondholders on the Maturity Date, the Company will redeem all of the Convertible Bonds on the Maturity Date at price equal to 100% of the principal amounts of the Convertible Bonds to be redeemed together with accrued interests.
- Redemption on Event of Default** : If the Company fails to rectify an event of default specified under the instrument of the Convertible Bonds and a written notice is served by the Majority Bondholders to the Company that the Convertible Bonds held by all Bondholders are immediately due and payable at its principal amount then outstanding together with any accrued and unpaid interest under the terms and conditions of the Convertible Bonds calculated up to and excluding the date of payment.
- Restriction on conversion** : The Bondholder cannot exercise the conversion right attaching the whole or part of any outstanding principal amount of Convertible Bonds if the exercise of such conversion right will immediately result in:
- (i) triggering a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the conversion rights attaching to any principal amount of Convertible Bonds; or
  - (ii) less than 25% of the then total number of issued Shares are being held in public hands.
- Ranking of the Convertible Bonds** : The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and ratably without preference (with the exception of obligations accorded preference by mandatory provisions of applicable law) equally with all other present/ or future unsecured and unsubordinated obligations of the Company.

- Ranking of the Conversion Shares** : The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue as at the Conversion date.
- Voting** : A Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the Bondholder.

## **APPLICATION FOR LISTING**

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **GENERAL MANDATE**

At the annual general meeting of the Company held on 9 September 2021, the General Mandate was granted to the Directors by the Shareholders pursuant to an ordinary resolution to exercise the powers of the Company to allot, issue and deal with up to 827,989,526 Shares, being 20% of the aggregate number of the Shares in issue as at the date of the passing of such resolution. The unutilized portion of the General Mandate amounts to 827,989,526 Shares as at the date of this announcement. The Conversion Shares, being a maximum of 820,000,000 Shares to be allotted and issued upon the exercise in full of the conversion rights attaching to the Convertible Bonds based on the initial Conversion Price, will be issued under the unutilized portion of the General Mandate. Accordingly, the issue of the Convertible Bonds is not subject to the approval of the Shareholders.

## **EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY**

The following table illustrates the Company's shareholding structure (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares at the initial Conversion Price upon exercise of the conversion rights in full under the Convertible Bonds (assuming that the Convertible Bonds are placed at the aggregate principal amount of HK\$82,000,000 to independent third party placees, and that no further Shares will be issued or repurchased from the date of this announcement to the date of the full conversion of the Convertible Bond).

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after the issue of the Conversion Shares upon full exercise of the Convertible Bonds	
	Number of Shares	%	Number of Shares	%
<i>Directors</i>				
Zhang Fan <sup>1</sup>	1,173,074,000	26.72	1,173,074,000	22.52
Xing Yong	1,398,000	0.03	1,398,000	0.03
Wang Jingming	23,406,000	0.53	23,406,000	0.45
<i>Substantial Shareholder</i>				
Best Robust Ventures Limited <sup>2</sup>	250,000,000	5.70	250,000,000	4.80
<i>Public Shareholders</i>				
– Placees	–	–	820,000,000	15.74
– Others	2,942,069,634	67.02	2,942,069,634	56.46
Total	<u>4,389,947,634</u>	<u>100</u>	<u>5,209,947,634</u>	<u>100</u>

*Notes:*

1. Mr. Zhang Fan is the chairman of the Board and an executive Director. He is personally interested in 13,074,000 Shares, and 1,160,000,000 through Treasure Wagon Limited, a company incorporated in the Independent State of Samoa with limited liability, which is wholly owned by him.
2. Best Robust Ventures Limited is a company incorporated in the Independent State of Samoa with limited liability and is owned as to 50% by each of Mr. Sun Chunlei and Mr. Yang Huijun.

## **REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF NET PROCEEDS**

The Company is an investment holding company. The existing business segments of the Group comprise (a) medical equipment and consumables distribution and service business; (b) hospital operation and management services business; and (c) business factoring business. Through the Placing, the Company intends to strengthen its financial position, as well as broadening the Company's capital base so as to facilitate business operations and future development of the Group as a whole.

Assuming all the Convertible Bonds under the Placing Agreement have been placed, the gross proceeds and net proceeds of the Placing will amount to HK\$82,000,000 and approximately HK\$80,000,000, after deducting commission and other related expenses of Placing. The Directors consider that the Placing represents an opportunity for the Company to raise additional funds for business development and to broaden shareholders base of the Company. The Company intends to apply the net proceeds (i) as the general working capital of the Group; (ii) for the development and expansion of the Group's existing businesses; and (iii) for any possible business development and investment of the Group when there arises any appropriate opportunity.

In view of the above, the Directors consider that the terms of the Placing Agreement (including the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and that the Placing Agreement was entered into on normal commercial terms after arm's length negotiations between the parties thereto.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any fund-raising activity in the twelve months immediately before the date of this announcement.

## **DEFINITIONS**

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

- “Board”** : the board of Directors
- “Bondholder(s)”** : a holder or a group of holders of the Convertible Bonds, who and whose ultimate beneficial owners, will be Independent Third Parties
- “Business Day”** : a day (other than Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are open for business during their normal business hours

<b>“Company”</b>	:	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
<b>“Completion”</b>	:	completion of the issue of the Convertible Bonds to the Places by the Company under the Placing Agreement
<b>“connected persons”</b>	:	has the meaning ascribed thereto under the Listing Rules
<b>“Conversion Price”</b>	:	conversion price per Conversion Share, initially set as HK\$0.10, subject to adjustments
<b>“Conversion Share(s)”</b>	:	the 820,000,000 new Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds by the Bondholders at the Conversion Price
<b>“Convertible Bonds”</b>	:	the convertible bonds in the aggregate principal amount of HK\$82,000,000 bearing an interest of 6% per annum to be issued by the Company under the Placing Agreement
<b>“Director(s)”</b>	:	the director(s) of the Company
<b>“General Mandate”</b>	:	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 9 September 2021 to allot, issue and deal with up to 827,989,526 new Shares
<b>“Group”</b>	:	the Company and its subsidiaries and the expression “member of the Group” shall be construed accordingly
<b>“HK\$”</b>	:	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong” or “HK”</b>	:	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Independent Third Party(ies)”</b>	:	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected person(s)

<b>“Listing Approval”</b>	:	the written confirmation issued by the Stock Exchange granting the listing of and permission to deal in the Conversion Shares and, where such approval is subject to conditions, such conditions are reasonably acceptable to the Company and the Placing Agent
<b>“Listing Rules”</b>	:	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Long Stop Date”</b>	:	15 July 2022, or such later date as the Placing Agent and the Company may agree
<b>“Majority Bondholder(s)”</b>	:	a holder or a group of Bondholders of Convertible Bonds in aggregate holding not less than 50% of the outstanding principal amount of the Convertible Bonds for the time being
<b>“Placees”</b>	:	the placees of the Convertible Bonds
<b>“Placing”</b>	:	the offer for subscription by way of a private placing of the Convertible Bonds by or on behalf of the Placing Agent (by itself or through its affiliate(s) or sub-placing agents) on a best effort basis, to selected Placees on the terms and subject to the conditions set out in the Placing Agreement
<b>“Placing Agent”</b>	:	Great Bay Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance
<b>“Placing Agreement”</b>	:	the placing agreement dated 9 June 2022 made between the Company and the Placing Agent for the Placing
<b>“Placing Closing Date”</b>	:	the date which is the fifth Business Day immediately after the date on which all conditions precedent are fulfilled, or such other time and/or date as the Company and the Placing Agent may agree in writing
<b>“PRC”</b>	:	the People’s Republic of China
<b>“Securities and Futures Ordinance”</b>	:	Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong

“Shares”	:	the fully paid ordinary share of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	:	the holder(s) of the Shares
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	:	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“Total Effective Consideration”	:	the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange or the exercise of such subscription rights
“%”	:	per cent

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

Hong Kong, 9 June 2022

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