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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)

**PROPOSED SHARE CONSOLIDATION
AND CHANGE OF BOARD LOT SIZE**

The Board proposed to conduct the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of par value of HK\$0.10 each will be consolidated into one (1) Consolidated Share of par value of HK\$1.00 each. Subject to the Share Consolidation being effective, the Board proposed to change the board lot size for trading of the Shares from 3,000 to 6,000.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation. A circular containing, among other things, details of the Share Consolidation and a notice convening the SGM is expected to be dispatched to the Shareholders on or before 4 July 2022.

Shareholders should take note that the Share Consolidation and the Change of Board Lot Size are conditional upon the fulfilment of their respective conditions. Therefore, the Share Consolidation and the Change of Board Lot Size may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

PROPOSED SHARE CONSOLIDATION

Reference is made to the announcement of the Company dated 10 June 2022, in which it was disclosed that the Board proposed to conduct the Share Consolidation. If the Share Consolidation becomes effective, every ten (10) Existing Shares in the will be consolidated into one (1) Consolidated Share.

Effects of the Share Consolidation

As at the date of this announcement, the authorized share capital in the Company is HK\$10,000,000,000 divided into 100,000,000,000 Existing Shares of par value of HK\$0.10 each, of which 4,389,947,634 Existing Shares have been issued as fully paid or credited as fully paid. Assuming that no further Existing Shares are allotted, issued or repurchased between the date of this announcement and the date of the SGM, the authorized share capital of the Company shall become HK\$10,000,000,000 divided into 10,000,000,000 Consolidated Shares of par value of HK\$1.00 each, of which 438,994,763 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue upon the Share Consolidation becoming effective.

Implementation of the Share Consolidation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Share Consolidation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Conditions of the Share Consolidation

The Share Consolidation is conditional on:

1. the passing of the necessary ordinary resolution by the Shareholders approving the Share Consolidation at the SGM;
2. the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective; and
3. the compliance with the relevant procedures and requirements under the laws of Bermuda and the Listing Rules to effect the Share Consolidation.

Subject to the fulfillment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on 8 August 2022, being the second Business Day after the SGM.

Listing and dealings

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued arising from the Share Consolidation.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Adjustments in relation to other securities of the Company

The Company operated a share option scheme which was expired on 7 April 2012 and a new share option scheme (the “**Share Option Scheme**”) was approved by the Shareholders on 28 August 2012. As at the date of this announcement, there are outstanding share options (the “**Share Options**”) entitling the holders thereof to subscribe for 203,000,000 Existing Shares under the Share Option Scheme.

The Company will make further announcement(s) as and when appropriate on any adjustments to be made as a result of the Share Consolidation to the exercise price and the aggregate number of Shares to be allotted and issued upon exercise of the subscription rights attaching to the above Share Options.

Save as disclosed above, as at the date of this announcement, the Company has no other outstanding options, derivatives, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

Free exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Monday, 8 August 2022 until Wednesday, 14 September 2022 (both days inclusive), submit share certificates for the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares, on the basis of ten (10) Existing Shares for one (1) Consolidated Share. Thereafter, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher. After trading hours on Wednesday, 14 September 2022, existing share certificates for the Existing Shares will only remain effective as documents of legal title and may be exchanged for certificates for the Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

The new share certificates for the Consolidated Shares will be issued in blue colour in order to distinguish them from the share certificates for the Existing Shares which are in red colour.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of existing share certificates held by such holder

CHANGE OF BOARD LOT SIZE

At present, the Existing Shares are traded in board lot size of 3,000 Existing Shares. Based on the closing price of HK\$0.05 per Existing Share on the date of this announcement, the board lot value of 3,000 Existing Shares is only HK\$150. The Board proposes to change the board lot size to 6,000 Consolidated Shares upon the Share Consolidation becoming effective, such that the board lot value is over HK\$2,000. Based on the closing price of HK\$0.05 per Existing Share (equivalent to the theoretical closing price of HK\$0.50 per Consolidated Share) as at the date of this announcement, (i) the value of each board lot of 3,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$1,500; and (ii) the estimated market value per board lot of 6,000 Consolidated Shares would be HK\$3,000 assuming the Change of Board Lot Size had also been effective.

The Change of Board Lot Size will not result in any change in the relative rights of the Shareholders. The Directors consider that the Change of Board Lot Size is appropriate and can reduce the proportionate transaction costs and charges for securities trading in this board lot value and can improve the trading liquidity of the Consolidated Shares, thereby attracting more investors and widening the shareholder base.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the arrangement relating the matching service for odd lots will be announced by the Company as and when appropriate.

Shareholders with odd lot holdings of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is on a best efforts basis. Successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. In addition, odd lots might be sold below the trading price of full board lots of the Shares. Shareholders who are in any doubt about the odd lot arrangement are recommended to consult their own professional advisers

REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE OF BOARD LOT SIZE

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. According to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange on 28 November 2008 and updated on 1 October 2020, market price of the securities of an issuer at a level less than HK\$0.10 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules.

In view of the recent trading prices of the Existing Shares at the level of below HK\$0.10 and board lot value of below HK\$2,000, the Share Consolidation would bring about a corresponding upward adjustment in the market price of the Consolidated Shares, which together with the Change of Board Lot Size would enable the Company to comply with the trading requirements under the Listing Rules. The Share Consolidation would reduce the overall transaction and handling costs of dealings in the Consolidated Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities transaction.

The Board considers that the Share Consolidation would maintain the transaction amount for each board lot at a reasonable level in order to attract more investors and extend the base of the Shareholders, and thus provide flexibility for equity fund raising of the Company in the future. Accordingly, the Company considers the Share Consolidation and Change of Board Lot Size are justifiable, notwithstanding the costs incurred by the Company and the impact arising from the creation of odd lots to the Shareholders. The Board considers that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no current plans for, or intention to conduct, any other corporate actions (such as share consolidation, sub-division or change in board lot size) which may have an effect of undermining or negating the intended purpose of the Share Consolidation in the next twelve months. As at the date of this announcement, the Company has no fund-raising plans other than the placing of convertible bonds as disclosed in the announcement of the Company dated 9 June 2022.

EXPECTED TIMETABLE

The expected timetable for implementation of the Share Consolidation and the Change in Board Lot Size, is set out below:

Event	Date
Expected time of dispatch of the circular together with notice and proxy form of the SGM	Monday, 4 July 2022
Latest time for lodging transfers of Shares for attending and voting at the SGM	4:30 p.m. on Friday, 29 July 2022
Closure of register of members (both days inclusive)	Monday, 1 August 2022 to Thursday, 4 August 2022
Latest date and time for lodging forms of proxy for the SGM	11:00 a.m. on Tuesday, 2 August 2022
Date and time of the SGM	11:00 a.m. on Thursday, 4 August 2022
Announcement of poll results of the SGM	Thursday, 4 August 2022

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:

Event	Date
Expected effective date of the Share Consolidation	Monday, 8 August 2022
First day for free exchange of existing share certificates for new certificates for the Consolidated Shares	Monday, 8 August 2022
Commencement of dealings in Consolidated Shares	9:00 a.m. on Monday, 8 August 2022
Original counter for trading in the Existing Shares in board lots of 3,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 8 August 2022
Temporary counter for trading in the Consolidated Shares in board lots of 300 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 8 August 2022
Original counter for trading in the Consolidated Shares in board lots of 6,000 Consolidated Shares (in the form of new share certificates for Consolidated shares) re-opens	9:00 a.m. on Monday, 22 August 2022
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on Monday, 22 August 2022
Designated broker starts to stand in the market to provide matching services for odd lots of Consolidated Shares	9:00 a.m. on Monday, 22 August 2022

Event	Date
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Friday, 9 September 2022
Temporary counter for trading in the Consolidated Shares in board lots of 300 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Friday, 9 September 2022
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends	4:10 p.m. on Friday, 9 September 2022
Last day for free exchange of existing share certificates for new share certificates	Wednesday, 14 September 2022

The timetable is indicative only and may be extended or varied. Any change to the expected timetable above will be announced by the Company as and when appropriate.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation. In compliance with the Listing Rules, all resolutions will be voted on by way of poll at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder would have a material interest in the Share Consolidation which is different from other Shareholders, and no Shareholder should be required to abstain from voting on the resolution approving the Share Consolidation at the SGM. A circular containing, among other things, details of the Share Consolidation and a notice convening the SGM is expected to be dispatched to the Shareholders on or before Monday, 4 July 2022.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

- “Board”** : the board of Directors
- “Business Day”** : a day (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning 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 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 in Hong Kong are generally open for business
- “CCASS”** : the Central Clearing and Settlement System established and operated by HKSCC
- “Change of Board Lot Size”** : the proposed change of board lot size for trading on the Stock Exchange from 3,000 Existing Shares to 6,000 Consolidated Shares upon Share Consolidation becoming effective
- “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
- “Consolidated Share(s)”** : ordinary share(s) of par value of HK\$1.00 each in the share capital of the Company after the Share Consolidation becoming effective
- “Director(s)”** : the director(s) of the Company
- “Existing Share(s)”** : ordinary share(s) of par value of HK\$0.10 each in the existing share capital of the Company prior to the Share Consolidation becoming effective

“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	:	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	:	Hong Kong Securities Clearing Company Limited
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	:	The special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation
“Share(s)”	:	the Existing Share(s) or the Consolidated Share(s), as the context may require
“Share Consolidation”	:	the proposed consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	:	the holder(s) of the Shares
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 16 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.