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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 REFRESHMENT OF GENERAL MANDATES
TO ISSUE NEW SHARES AND TO REPURCHASE SHARES
OF THE COMPANY**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



中毅資本有限公司
Grand Moore Capital Limited

PROPOSED REFRESHMENT OF GENERAL MANDATES

The Board proposes to refresh the Existing General Mandates for the Directors to (i) allot, issue or deal with new Shares not exceeding 20% of the total number of the issued Shares as at the date of passing of the relevant resolution at the SGM and (ii) repurchase Shares on the Stock Exchange not exceeding 10% of the total number of the issued Shares as at the date of passing of the relevant resolution at the SGM.

EXISTING GENERAL MANDATES

At the AGM, the Shareholders approved, among other things, the Existing General Mandates which authorized the Directors to allot, issue or deal with new Shares not exceeding 87,798,952 Shares, being 20% of the total number of the issued Shares as at the date of passing of such resolution at the AGM and to repurchase Shares on the Stock Exchange not exceeding 43,899,476 Shares, being 10% of the total number of the issued Shares as at the date of passing of such resolution at the AGM.

Reference is made to the announcement of the Company dated 6 February 2023 in relation to the discloseable transaction relating to the acquisition of 51% equity interest in the Target Company involving the issue of Shares under the Existing General Mandates (the “**Announcement**”). Unless the context otherwise states, terms used in this announcement shall have the same meanings as defined in the Announcement. As disclosed in the Announcement, the Company proposes to allot and issue up to 87,500,000 Shares as part of the consideration for the Acquisition under the Existing General Mandates. As at the date of this announcement, the Existing General Mandates have not been utilized. However, 87,500,000 Shares under the Existing General Mandates (being more than 99.6% of Shares that can be allotted and issued under the Existing General Mandates) is expected to be utilized for the Acquisition.

As at the date of this announcement, the Company has not made any refreshment of the Existing General Mandates since the AGM.

PROPOSED GRANT OF REFRESHED GENERAL MANDATES

As the Existing General Mandate is expected to be fully utilized in the near future, the Board proposes to convene the SGM at which ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the Refreshed General Mandates to allot, issue and deal with new Shares not exceeding 20% of the total number of the issued Shares as at the date of passing the relevant ordinary resolutions at the SGM; and
- (ii) the Directors be granted to repurchase Shares on the Stock Exchange not exceeding 10% of the total number of the issued Shares as at the date of passing the relevant ordinary resolutions at the SGM.

The Company has not refreshed the Existing General Mandates since the AGM. The Refreshed General Mandates proposed will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the memorandum of association and bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given to the Directors by passing an ordinary resolution by the Shareholders at a general meeting.

As at the date of this announcement, the Company had an aggregate of 478,994,763 Shares in issue. On the basis that no further Shares are issued and/or repurchased and cancelled by the Company from the date of this announcement and the up to date of the SGM, the Company will be allowed under the Refreshed General Mandates to (i) allot, issue or deal with not exceeding 95,798,952 Shares, being 20% of the total number of issued Shares as at the date of the SGM and (ii) repurchase not exceeding 47,899,476 Shares on the Stock Exchange, being 10% of the total number of the issued Shares as at the date of the SGM.

REASONS FOR THE REFRESHMENT OF GENERAL MANDATES

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

Taking into consideration that the Company's next annual general meeting may only be held in around September 2023, which is around 6 months from the date of this announcement, the Board is proposing to seek the approval of Independent Shareholders at the SGM to approve the grant of the Refreshed General Mandates in order to offer the Company with greater financing flexibility should funding needs arises or attractive terms of investment become available. The grant of the Refreshed General Mandates will enable the Company to respond quickly to market conditions and investment opportunities should such arise between now and the next annual general meeting, providing a more efficient process of fund raising and avoiding the uncertainties that may result from not obtaining a specific mandate in a timely manner if and when the Company enters into such transactions.

In order to provide additional flexibility to allow the Company to grasp appropriate fund raising opportunities, the Board believes that the grant of the Refreshed General Mandates is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group's future business expansion and development as well as to cater for future funding requirement of the Group. The Board considers equity financing to be an important avenue of resources to the Group since it can reduce and limit debt financing which will create additional interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future business development.

The Directors have considered other financing alternatives apart from equity financing such as debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. However, debt financing may be subject to more lengthy negotiations and less favorable terms as compared to the equity financing available to the Directors if the Refreshed General Mandates is granted. Debt financing will create interest paying obligations on the Group and the terms of any financing facilities available to the Group may depend on different financial institutions' assessment of the Group's creditworthiness which may be a lengthy process. The Company may also have to put up collateral and other securities for such financing facilities which may also be a time consuming process. If the Refreshed General Mandates is granted, the Company will have more flexibility to raise funds through the issuance of Shares with reference to the prevailing market price of the Shares at the time of issuance which may expedite the fundraising process. From the Company's experience, debt financing facilities could take over three months to negotiate and finalize and banking institutions will often require pledging of collateral and guarantee by the Company (for loans that are offer to the Company's subsidiary), this may not be feasible for all transaction opportunities presented to the Company and may limit the Company's ability to undertake development and expansion plans. Furthermore, rights issue or open offer may also involve substantial time and cost to complete as compared to equity financing by issuance of new Shares under general mandate as lengthy discussion with potential commercial underwriters may be required and the Company may not be able to grasp potential business opportunities in a timely manner. Rights issue or open offer may also result in additional administrative work and transaction cost.

Having considered that (i) the grant of the Refreshed General Mandates will empower the Directors to issue new Shares under the refreshed limit and provide the Company with the flexibility and ability to capture any appropriate capital raising or business opportunities in a timely manner, which may arise; and (ii) equity financing does not create any interest paying obligations on the Group, the Board considers the grant of the Refreshed General Mandates is in the best interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no concrete plan or agreement with any party to issue Shares by utilizing the Refreshed General Mandates. The Company will grasp suitable fundraising and merger and acquisition opportunities should there become attractive terms on the market for such fundraising and merger and acquisition opportunities.

LISTING RULES IMPLICATIONS

Pursuant to Rule 13.36(4) of the Listing Rules, the approval of the grant of the Refreshed General Mandates will be subject to Independent Shareholder's approval at a general meeting of the Company. Any controlling shareholders and their respective associates or, where there are no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favor of the the relevant resolutions to approve the grant of the Refreshed General Mandates.

As at the date of this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder, and therefore each of the Directors (excluding independent non-executive Directors) and chief executive, namely Mr. Zhang Fan (Chairman) and Mr. Chung Ho, Mr. Xing Yong, Mr. Huang Lianhai, Mr. Wang Jingming and their respective associates, shall abstain from voting in favor of the resolution for the grant of the Refreshed General Mandates at the SGM.

SGM

A SGM will be held to consider and, if thought fit, pass ordinary resolutions to approve the grant of the Refreshed General Mandates. The Independent Board Committee, comprising of all the independent non-executive Directors, namely, Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Liangquan, will be established to advise the Independent Shareholders on the grant of the Refreshed General Mandates.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Refreshed General Mandates.

A circular containing, among other things, information regarding (i) the grant of the Refreshed General Mandates, (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the grant of the Refreshed General Mandates, (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the grant of the Refreshed General Mandates, (iv) a notice of SGM will be despatched to the Shareholders as soon as practicable.

DEFINITION

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

“AGM”	the annual general meeting of the Company held on 30 September 2022
“Board”	the board of Directors
“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
“Directors”	the director(s) of the Company, from time to time
“Existing General Mandates”	the general mandates granted to the Directors to (i) allot, issue or deal with new Shares not exceeding 87,798,952 Shares, being 20% of the total number of the issued Shares as at the date of passing of such resolution at the AGM and (ii) repurchase Shares on the Stock Exchange not exceeding 43,899,476 Shares, being 10% of the total number of the issued Shares as at the date of passing of such resolution at the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders on the grant of Refreshed General Mandates
“Independent Financial Adviser”	Grand Moore Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 572, laws of Hong Kong), the independent financial adviser to the Company in respect of the grant of Refreshed General Mandates

“Independent Shareholder(s)”	Shareholder(s) other than any Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Refreshed General Mandates”	the general mandates proposed to be granted to the Directors at the SGM to (i) allot, issue or deal with new Shares not exceeding 20% of the total number of the issued Shares as at the date of passing of the relevant resolution at the SGM and (ii) repurchase Shares on the Stock Exchange not exceeding 10% of the total number of the issued Shares as at the date of passing of the relevant resolutions at the SGM
“SGM”	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve, among other things, the proposed Refreshment of General Mandates
“Share(s)”	the shares of the Company
“Shareholder(s)”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 31 March 2023

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.