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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)

MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE

THE ACQUISITION

The Board is pleased to announce that after the Stock Exchange trading hours on 5 July 2024, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Company, the Vendor, the Vendor Nominee and the Guarantor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at the Initial Consideration of HK\$46,666,667, which shall be satisfied by the allotment and issue of the Initial Consideration Shares at the Issue Price of HK\$0.80 per Initial Consideration Share by the Company to the Vendor Nominee.

In the event that the condition for the Earn-out Consideration is fulfilled, the Vendor will be entitled to an additional consideration of HK\$9,333,333 (equivalent to 20% of the Initial Consideration), which shall be satisfied by the allotment and issue of 11,666,667 Earn-out Consideration Shares at the Issue Price of HK\$0.80 by the Company to the Vendor Nominee.

If the Vendor is entitled to receive the entire Initial Consideration and the Earn-out Consideration, the total consideration for the Sale Shares would be HK\$56,000,000.

The Sale Shares represent the entire equity interest in the Target Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

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 25% but are all less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened and held to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder (including the granting of specific mandate for the allotment and issue of the Consideration Shares).

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) an accountants' report containing the financial information of the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) a valuation report on the equity interest of the Target Company; and (v) a notice of the SGM, is expected to be despatched by the Company to the Shareholders on or before 21 August 2024, which is more than 15 Business Days after the publication of this announcement in order to allow sufficient time for preparation of the information required to be included in the circular.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment or waiver of the conditions precedent as set out in the Agreement (as the case may be) and the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that after the Stock Exchange trading hours on 5 July 2024, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Company, the Vendor, the Vendor Nominee and the Guarantor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at the Initial Consideration of HK\$46,666,667, which shall be satisfied by the allotment and issue of the Initial Consideration Shares at the Issue Price of HK\$0.80 per Initial Consideration Share by the Company to the Vendor Nominee.

Principal terms of the Agreement are summarised below.

THE AGREEMENT

Date

5 July 2024

Parties

- (i) the Purchaser, an indirect wholly-owned subsidiary of the Company;
- (ii) the Company;
- (iii) the Vendor;
- (iv) the Vendor Nominee; and
- (v) the Guarantor, guaranteeing the performance of the obligations of the Vendor under the Agreement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement,

- (i) the Guarantor is the founder, legal representative, chairman of the board of directors and general manager of the Vendor;
- (ii) the Vendor is a company established in the PRC with limited liability and is principally engaged in research and development, and manufacturing of diagnostic equipment. It is owned as to approximately 45.63% by ProteinT Management Consulting (Tianjin) Partnership (Limited Partnership)* (譜天管理顧問(天津)合夥企業(有限合夥), “**ProteinT Management**”), approximately 37.02% by the Guarantor, approximately 4.72% by ProteinT Tongren (Tianjin) Biotechnology Partnership (Limited Partnership)* (譜天同仁(天津)生物科技合夥企業(有限合夥), “**ProteinT Tongren**”), approximately 2.56% by ProteinT Tongji (Tianjin) Biotechnology Partnership (Limited Partnership)* (譜天同濟(天津)生物科技合夥企業(有限合夥), “**ProteinT Tongji**”), and approximately 10.07% in aggregate by two other limited partnerships which are held by two third party financial investors. ProteinT Management is a limited partnership held by the senior management of the Vendor while ProteinT Tongren and ProteinT Tongji are limited partnerships held by employees of the Vendor. The Guarantor is the sole general partner of each of ProteinT Management, ProteinT Tongren and ProteinT Tongjin and has approximately 26.68%, 0.01% and 1.00% interest in the limited partnerships, respectively;

- (iii) the Vendor Nominee is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. It is owned as to approximately 57.1% by the Guarantor, approximately 39.9% by CDF Capital Management Limited (“CDF”), and approximately 2.9% by Sinowise Investment Holding Inc. (“Sinowise”). CDF is wholly owned by Zhang Xiaoling while Sinowise is owned as to 80% by Chen Ying and 20% by Luo Zhigen; and
- (iv) the Guarantor, the Vendor, the Vendor Nominee and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired

The Sale Shares represent the entire equity interest in the Target Company. Further information of the Target Company is disclosed in the section headed “Information of the Target Company” below.

Initial Consideration

The Initial Consideration for the Sale Shares is HK\$46,666,667, which shall be satisfied by way of allotment and issue of 58,333,333 Initial Consideration Shares at the Issue Price of HK\$0.80 per Initial Consideration Share by the Company to the Vendor Nominee in the following manner:

- (i) HK\$32,302,667 shall be satisfied by way of allotment and issue of 40,378,333 Initial Consideration Shares (the “**First Initial Consideration Shares**”) on the fifth Business Day following the Completion (or such other date as agreed by the Purchaser, the Company and the Vendor in writing); and
- (ii) the balance of the Initial Consideration of HK\$14,364,000 (the “**Second Initial Consideration**”) shall be satisfied by way of allotment and issue of 17,955,000 Initial Consideration Shares (the “**Second Initial Consideration Shares**”) on the fifth Business Day following the full settlement of the Remaining Amount Due From Fellow Subsidiaries and the Finance Costs (as defined below) (or such other date as agreed by the Purchaser, the Company and the Vendor in writing), details of which are set out in the paragraph headed “Settlement of Amount Due From Fellow Subsidiaries” below.

The amount of the Second Initial Consideration was determined after taking into account the sum of (i) the maximum Remaining Amount Due From Fellow Subsidiaries after Completion of RMB13 million (equivalent to approximately HK\$14.0 million) and (ii) the Finance Costs (as defined below). The Second Initial Consideration represents a deferred consideration payment to ensure the recoverability of the Remaining Amount Due From Fellow Subsidiaries. For the avoidance of doubt, the Vendor will not be entitled to any Second Initial Consideration if the Vendor fails to settle the Remaining Amount Due From Fellow Subsidiaries by 31 December 2024, but it will not affect the Target Company’s right to recover the Amount Due From Fellow Subsidiaries.

The Initial Consideration was determined after arm's length negotiations among the Purchaser, the Company and the Vendor with reference to the preliminary valuation of 100% equity interest in the Target Company as at 30 April 2024 of approximately HK\$56.1 million (the "**Preliminary Valuation**") prepared by Valtech Valuation Advisory Limited, an independent valuer (the "**Valuer**"). The Initial Consideration represents a discount of approximately 16.8% to the Preliminary Valuation.

The Preliminary Valuation was assessed by the Valuer using market approach by first deriving the enterprise value of the Target Company based on its earnings before interest, tax, depreciation and amortisation ("**EBITDA**") for the 12 months ended 30 April 2024 (adjusted for certain non-recurring and non-operating items) of approximately RMB4.7 million, and the EV/EBITDA multiple of approximately 13 times based on comparable companies. The Preliminary Valuation (i.e. the equity value of the Target Company) was then arrived at by adding cash and non-operating assets to, and deducting interest-bearing debt and non-operating liabilities from the enterprise value, then applying a control premium of 26% and discount for lack of marketability of 33%.

Details of the valuation methodology, assumptions and bases adopted for the final valuation of the equity interest in the Target Company as at 30 April 2024 assessed by the Valuer (the "**Final Valuation**") will be set out in the valuation report contained in the circular to be despatched to the Shareholders.

Earn-out Consideration

In the event that the equity value of the Target Company as at 31 December 2024 ("**December 2024 Equity Value**") exceeds the Final Valuation by 20% or more, the Vendor will be entitled to the Earn-out Consideration in the amount of HK\$9,333,333 (equivalent to 20% of the Initial Consideration).

The Earn-out Consideration will be satisfied by way of allotment and issue of 11,666,667 Earn-out Consideration Shares at the Issue Price of HK\$0.80 by the Company to the Vendor Nominee on the 30th Business Days from the issue of the audited accounts of the Target Company for the year ending 31 December 2024 (or such other date as agreed by the Purchaser, the Company and the Vendor in writing).

The December 2024 Equity Value will be calculated by an independent valuer to be appointed by the Company based on the valuation principle adopted in the Final Valuation and the audited accounts of the Target Company for the year ending 31 December 2024 to be prepared by a reporting accountant appointed by the Company in accordance with HKFRS as follows:

- (i) adjusting the EBITDA of the Target Company for the year ending 31 December 2024 for non-recurring and non-operating items;

- (ii) multiplying the adjusted EBITDA by the EV/EBITDA multiple adopted in the Final Valuation to arrive at the enterprise value of the Target Company;
- (iii) adding cash and non-operating assets;
- (iv) deducting interest-bearing debts and non-operating liabilities; and
- (v) applying the control premium and discount for lack of marketability as adopted in the Final Valuation.

For the avoidance of doubt, the Vendor will not be entitled to any Earn-out Consideration if the December 2024 Equity Value does not exceed the Final Valuation by 20% or more.

If the Vendor is entitled to receive the entire Initial Consideration and the Earn-out Consideration, the total consideration for the Sale Shares would be HK\$56,000,000.

Consideration Shares

The Issue Price of HK\$0.80 per Consideration Share represents:

- (i) a discount of approximately 14.9% to the closing price of HK\$0.940 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a discount of approximately 16.0% to the average closing price of HK\$0.952 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding the date of the Agreement;
- (iii) a discount of approximately 16.3% to the average closing price of approximately HK\$0.956 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately preceding the date of the Agreement; and
- (iv) a premium of approximately 636.4% over the audited consolidated net asset value of approximately HK\$0.109 per Share as at 31 March 2024 (based on the audited consolidated net asset value of the Group attributable to the Shareholders as at 31 March 2024 of approximately HK\$52,037,000 and 478,994,763 Shares in issue as at the date of this announcement).

The Issue Price was arrived at after at arm's length negotiations between the Purchaser and the Vendor with reference to the prevailing market price of the Shares. Having considered the current market sentiment and that the Issue Price represents a substantial premium to the net asset value per Share as stated above, the Company considers the discount represented by the Issue Price to the market price of the Shares is acceptable.

The Initial Consideration Shares represent (i) approximately 12.2% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 10.9% of the total number of issued Shares as enlarged by the allotment and issue of the Initial Consideration Shares, assuming that there will be no change in the issued share capital of the Company save for the allotment and issue of the Initial Consideration Shares.

The Consideration Shares (comprising the Initial Consideration Shares and the Earn-out Consideration Shares) represent (i) approximately 14.6% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 12.8% of the total number of issued Shares as enlarged by the allotment and issue of the Consideration Shares, assuming that there will be no change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought for approval by the Shareholders at the SGM. The Consideration Shares shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares will be subject to a lock-up period of one year from their respective date of issue, during which the Vendor Nominee shall not sell, transfer, charge, mortgage and/or create encumbrances in respect of any of the Consideration Shares.

Conditions precedent

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

- (i) the Vendor and the Guarantor's representations and warranties in the Agreement remaining true, accurate and not misleading from the date of the Agreement up to and including the Completion Date; and the Vendor and the Guarantor having performed and complied with all the commitments, obligations and provisions that they are obliged to perform and abide by on or before the Completion Date;
- (ii) there being no material adverse effect on the Target Company from the date of the Agreement up to and including the Completion Date;
- (iii) the Target Company having fully settled the Other Borrowings (as defined below) as shown in the Completion Accounts;

- (iv) the outstanding balance of the Amount Due From Fellow Subsidiaries having been reduced to not more than RMB13 million as shown in the Completion Accounts;
- (v) the Final Valuation being not less than HK\$56 million;
- (vi) the Vendor having completed all necessary internal decision-making procedures (such as approval by the board of directors, etc.) with respect to the Agreement and the transactions contemplated thereunder, and obtained all necessary consents or approvals from relevant government or regulatory authorities or any other person (if applicable) for entering into the Agreement and the transactions contemplated thereunder;
- (vii) the Purchaser having completed all necessary internal decision-making procedures (such as approval by the board of directors, etc.) with respect to the Agreement and the transactions contemplated thereunder, and obtained all necessary consents or approvals from relevant government or regulatory authorities or any other person for entering into the Agreement and the transactions contemplated thereunder;
- (viii) the Company having completed all necessary internal decision-making procedures (such as approval by the board of directors, etc.) with respect to the Agreement and the transactions contemplated thereunder, and obtained all necessary consents or approvals from relevant government or regulatory authorities or any other person for entering into the Agreement and the transactions contemplated thereunder (including obtaining the approval or confirmation of no opinion from the Stock Exchange on the relevant announcement and/or circular of the Company, the approval from the Shareholders, and the grant of specific mandate for the allotment and issue of the Consideration Shares);
- (ix) there being no laws or regulations, court rulings or judgments, arbitral awards, policies or orders of any government that prohibit or restrict any party to conduct the transactions contemplated under the Agreement; and no government authority has made any rules, regulations or decisions or take any measures or actions that would prohibit, restrict or substantially delay the transactions contemplated under the Agreement or the continued operation of the Target Company;
- (x) the Vendor and/or the Target Company having provided notice to and/or obtained the consent and/or approval from such other third parties as required pursuant to any contracts signed with such third parties the terms of which may restrict the change in shareholding of the Target Company (including but not limited to any written consent in relation to the change in shareholding of the Target Company from counterparty(ies) of any loan agreements, letters of guarantee or equity interest pledge agreements to which the Target Company is a party) and there being no other binding contracts that restrict the change in shareholding of the Target Company;

- (xi) the Listing Committee having approved the listing of, and permission to deal in, the Consideration Shares, and such listing and approval not having been revoked subsequently prior to the delivery of the share certificates in respect of the issue and allotment of any part of the Consideration Shares;
- (xii) the Purchaser and the Company being, at their sole and absolute discretion, satisfied with the results of its legal, financial and business due diligence on the Target Company and its shareholders, directors, supervisors and legal representative and senior management, and having confirmed the same in writing to the Vendor;
- (xiii) the Target Company having obtained all licenses, approvals, registrations, authorisations and consents necessary to operate their business, and all such licenses, approvals, registrations, authorisations and consents being in force and remaining in effect, including the Permits for Medical Device Operation Enterprises* (《醫療器械經營許可證》) and the Class II Medical Device Business Recordation Certificate* (《第二類醫療器械經營備案憑證》); and
- (xiv) any other matters relating to due diligence having been dealt with.

Save for conditions (i), (ii), (v), (xii) and (xiv) which are waivable in writing by the Purchaser at its sole and absolute discretion, all other conditions are not waivable by any parties to the Agreement.

If any of the above conditions is not fulfilled (or waived, as the case may be) on or before 31 October 2024 (or such other date as agreed by the parties in writing), except as otherwise provided in the Agreement, the Agreement and all rights and obligations of the parties pursuant to the Agreement shall terminate, save in respect of any antecedent breaches of the Agreement.

Completion

Completion shall take place on the 10th Business Day after all the aforesaid conditions have been fulfilled (or waived, as the case may be) or such other date as agreed by the Purchaser and the Vendor in writing.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

Settlement of Amount Due From Fellow Subsidiaries

Leveraging on its financing capabilities, the Target Company has from time to time provided financing to two subsidiaries of the Vendor (the “**Fellow Subsidiaries**”) for their working capital needs (i.e. the Amount Due From Fellow Subsidiaries), which were financed by bank and other borrowings obtained by the Target Company. As at 30 June 2024, the Target Company had Amount Due From Fellow Subsidiaries amounting to approximately RMB17.9 million which are unsecured, interest-free, and repayable on demand.

The Vendor has undertaken to procure settlement of all the Amount Due From Fellow Subsidiaries in the following manner:

- (i) the Vendor shall procure settlement of part of the Amount Due From Fellow Subsidiaries before Completion such that the remaining balance of the Amount Due From Fellow Subsidiaries shall be not more than RMB13 million as at the Completion Date (the “**Remaining Amount Due From Fellow Subsidiaries**”), which is a condition precedent to Completion as set out in the paragraph headed “Conditions precedent” above;
- (ii) the Remaining Amount Due From Fellow Subsidiaries shall carry interest at the rate of 4.18% per annum (which is calculated based on the weighted average finance costs of the existing bank borrowings of the Target Company) from the date of Completion up to the date of settlement of the Remaining Amount Due From Fellow Subsidiaries (the “**Finance Costs**”); and
- (iii) the Vendor shall procure settlement of all the Remaining Amount Due From Fellow Subsidiaries and the Finance Costs on or before 31 December 2024.

As mentioned in the paragraph headed “Initial Consideration” above, the Second Initial Consideration will only be payable when the Remaining Amount Due From Fellow Subsidiaries and the Finance Costs are fully settled on or before 31 December 2024.

The proceeds from the repayment of the Amount Due From Fellow Subsidiaries will be used to settle the outstanding bank and other borrowings of the Target Company. As at 30 June 2024, the Target Company had outstanding bank borrowings amounted to approximately RMB17.6 million and other borrowings of approximately RMB3.9 million (the “**Other Borrowings**”).

Non-competition

The Vendor and the Guarantor undertake that commencing from the Completion Date, the Vendor and the Vendor Related Parties shall not directly or indirectly engage, participate or invest in the same or similar businesses as the Target Company in the PRC, Hong Kong or elsewhere in the world.

Guarantee

The Guarantor shall procure the performance by the Vendor of all of its undertakings and obligations under the Agreement in full. If the Vendor fails to fulfil any of its undertakings or obligations under the Agreement, the Purchaser is entitled to claim damages and all related costs arising therefrom from the Guarantor directly. The Purchaser shall not be obligated to take any steps to enforce any rights or remedy against the Vendor before enforcing the aforesaid guarantee.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability in 2016 and is wholly-owned by the Vendor as at the date of the Agreement.

Principal business

The Target Company is principally engaged in sale and distribution of molecular diagnostics technology related equipments and reagents, and provision of ancillary services such as technical support and maintenance services in the PRC. As at the date of this announcement, the Target Company holds a Permit for Medical Device Operation Enterprises and the Class II Medical Device Business Recordation Certificate, which allow the Target Company to engage in the sale and distribution of diagnostic equipment and reagents within the PRC.

The Target Company primarily sells and distributes imported diagnostic equipment and reagents, including a number of well-known international brands of diagnostic equipment and reagents. The Target Company also provides after-sales technical support and maintenance services to its customers. The major customers of the Target Company are hospitals and other distributors which act as procurement agents of hospitals, and medical institutions.

Financial information

Set out below are the unaudited financial information of the Target Company prepared in accordance with HKFRS for the two years ended 31 December 2023 and the four months ended 30 April 2023 and 2024:

	For the year ended		For the four months	
	31 December		ended 30 April	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	20,594	39,897	4,935	10,732
EBITDA	1,873	5,238	2,426	2,631
Net (loss)/profit before tax	(507)	2,889	1,647	1,884
Net (loss)/profit after tax	(132)	2,946	1,316	1,628

The unaudited net assets of the Target Company as at 30 April 2024 were approximately RMB7.6 million.

An accountants' report containing the audited financial information of the Target Company will be set out in the circular to be despatched to the Shareholders.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Group has been seeking different opportunities and exploring possible investment targets to expand its medical distribution business and diversify its business mix in order to maximise returns for the Shareholders. Taking into account the stable relationships with the suppliers of the Target Company and its well-established customer base, in particular its distribution channel encompassing numerous hospitals and medical equipment and reagent companies, the Directors are of the view that the Acquisition will enable the Group to expand its presence in the medical distribution market and broaden its customer network.

Driven by an increasing emphasis on personalised medicine, rising healthcare awareness, and a growing aging population, the in vitro diagnostics market has witnessed exponential growth in recent years. Reagents, the critical components of diagnostic tests, are experiencing heightened demand as they are integral to the accuracy and reliability of diagnostic results. In addition, the COVID-19 pandemic has brought positive impact to this industry and enhanced the industry development. As such, the Directors hold positive views towards the prospects of the Target Company and expect that the Acquisition will improve the results attributable to the Group and the overall return for the Shareholders.

Having considered the above, the Board is of the view that the terms of the Agreement are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the First Initial Consideration Shares; (iii) immediately after the allotment and issue of the Initial Consideration Shares; and (iv) immediately after the allotment and issue of the Consideration Shares in full:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the First Initial Consideration Shares		Immediately after the allotment and issue of the Initial Consideration Shares		Immediately after the allotment and issue of the Consideration Shares in full	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<i>Directors</i>								
Mr. Zhang Fan (Note 1)	137,299,400	28.7	137,299,400	26.4	137,299,400	25.6	137,299,400	25.0
Mr. Wang Jingming	2,340,600	0.5	2,340,600	0.5	2,340,600	0.4	2,340,600	0.4
Mr. Xing Yong	139,800	0.1	139,800	0.1	139,800	0.1	139,800	0.1
The Vendor Nominee (Note 2)	–	0.0	40,378,333	7.8	58,333,333	10.9	70,000,000	12.8
Public Shareholders	339,214,963	70.7	339,214,963	65.2	339,214,963	63.0	339,214,963	61.7
Total	478,994,763	100.0	519,373,096	100.0	537,328,096	100.0	548,994,763	100.0

Notes:

- Mr. Zhang Fan is interested in 1,307,400 Shares through personal interest and 135,992,000 Shares through Treasure Wagon Limited which is a company incorporated in Samoa and the entire issued share capital of which is owned by Mr. Zhang Fan. Mr. Zhang Fan is chairman of the Board and an executive Director.*
- The Vendor Nominee is owned as to approximately 57.1% by the Guarantor, approximately 39.9% by CDF and approximately 2.9% by Sinowise.*

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 25% but are all less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened and held to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder (including the granting of specific mandate for the allotment and issue of the Consideration Shares).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective close associates have a material interest in the Agreement and the transactions contemplated thereunder and is required to abstain from voting at the SGM for approving the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) an accountants' report containing the financial information of the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) a valuation report on the equity interest of the Target Company; and (v) a notice of the SGM, is expected to be despatched by the Company to the Shareholders on or before 21 August 2024, which is more than 15 Business Days after the publication of this announcement in order to allow sufficient time for preparation of the information required to be included in the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment or waiver of the conditions precedent as set out in the Agreement (as the case may be) and the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the terms and conditions of the Agreement
“Agreement”	the equity transfer agreement dated 5 July 2024 entered into among the Purchaser, the Company, the Vendor, the Vendor Nominee and the Guarantor in relation to the Acquisition
“Amount Due From Fellow Subsidiaries”	the amount due from the Fellow Subsidiaries to the Target Company, the aggregate amount of which was approximately RMB17.9 million as at 30 June 2024
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 in accordance with the terms of the Agreement
“Completion Accounts”	the unaudited management accounts of the Target Company for the period from 1 January 2024 and up to the Completion Date
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Share(s)”	the aggregate of the Initial Consideration Shares and the Earn-out Consideration Shares
“Director(s)”	the director(s) of the Company, from time to time
“Earn-out Consideration”	HK\$9,333,333, being an additional consideration that the Vendor will be entitled to, subject to earn-out condition and mechanism as stipulated, under the Agreement
“Earn-out Consideration Share(s)”	the 11,666,667 new Shares to be allotted and issued to the Vendor Nominee at the Issue Price for settling the Earn-out Consideration
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group upon Completion
“Group”	the Company and its subsidiaries from time to time
“Guarantor”	Mr. Li Jie, the guarantor of the Vendor in respect of its obligations under the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Consideration”	HK\$46,666,667, being the Initial Consideration for the Acquisition
“Initial Consideration Share(s)”	the 58,333,333 new Shares to be allotted and issued to the Vendor at the Issue Price for settling the Initial Consideration
“Issue Price”	HK\$0.80, being the issue price per Consideration Share

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Zhongwei Health Industries (Shenzhen) Co., Ltd (中衛健康產業(深圳)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Sale Shares”	the entire equity interest in the Target Company
“Share(s)”	ordinary share(s) of par value HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	ProteinT (Tianjin) Diagnostic, Co., Ltd.* (譜天福信(天津)分子診斷技術有限公司), a company established in the PRC with limited liability
“Vendor”	ProteinT (Tianjin) Biotechnology Co., Ltd.* (譜天(天津)生物科技有限公司), a company established in the PRC with limited liability and the sole beneficial owner of the entire equity interest in the Target Company as at the date of the Agreement
“Vendor Nominee”	Friendly Act Limited, a company incorporated in the BVI with limited liability
“Vendor Related Parties”	parties which (i) directly or indirectly control the Vendor, (ii) directly or indirectly controlled by the Vendor or the Guarantor, and (iii) are under common control with the Vendor or the Guarantor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

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

Hong Kong, 7 July 2024

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.

For the purpose of this announcement, unless otherwise specified, the conversion of RMB into HK\$ is based on the approximate exchange rate from RMB1.00 to HK\$1.08. The exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

* *For identification purposes only*