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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)

**TOP-UP PLACING OF EXISTING SHARES AND
SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE**

Sole Overall Coordinator and Sole Placing Agent



大灣區深港證券有限公司
GREAT BAY SECURITIES LIMITED

Great Bay Securities Limited

On 8 July 2024 (after trading hours), the Company, the Vendor and the Placing Agent entered into the Placing and Subscription Agreement, pursuant to which, (i) the Vendor agreed to sell, and the Placing Agent agreed to act as overall coordinator and placing agent of the Vendor to procure, on a best effort basis, not less than six (6) Placees for up to 15,000,000 Placing Shares at the Placing Price of HK\$0.80 per Placing Share; and (ii) the Vendor conditionally agreed to subscribe (itself or through its nominee(s)) for, and the Company conditionally agreed to allot and issue, up to 15,000,000 Subscription Shares (being equivalent to the number of Placing Shares) at the Subscription Price of HK\$0.80 per Subscription Share (being equivalent to the Placing Price).

The Placing Shares represent approximately 3.13% of the entire issued share capital of the Company as at the date of this announcement and approximately 3.04% of the entire issued share capital of the Company as enlarged by the Subscription (assuming that there will be no change in the issued share capital of the Company from the date of this announcement and immediately prior to the completion of the Subscription and assuming all of the Subscription Shares are subscribed for).

Assuming all of the Subscription Shares are subscribed for, the gross proceeds from the Subscription will be HK\$12,000,000, and the net proceeds (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) are estimated to be approximately HK\$11,650,000. The Company intends to use the net proceeds from the Subscription for general working capital purposes.

Completion of both the Placing and the Subscription is subject to the fulfilment of the conditions as set out in the Placing and Subscription Agreement and 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.

The Board is pleased to announce that, on 8 July 2024 (after trading hours), the Company, the Vendor and the Placing Agent entered into the Placing and Subscription Agreement, pursuant to which, (i) the Vendor agreed to sell, and the Placing Agent agreed to act as overall coordinator and placing agent of the Vendor to procure, on a best effort basis, not less than six (6) Placees for up to 15,000,000 Placing Shares at the Placing Price of HK\$0.80 per Placing Share; and (ii) the Vendor conditionally agreed to subscribe (itself or through its nominee(s)) for, and the Company conditionally agreed to allot and issue, up to 15,000,000 Subscription Shares (being equivalent to the number of Placing Shares) at the Subscription Price of HK\$0.80 per Subscription Share (being equivalent to the Placing Price).

The principal terms of the Placing and Subscription Agreement are summarised as follows:

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

8 July 2024

Parties

- (1) the Company;
- (2) the Vendor; and
- (3) the Placing Agent.

Vendor

As at the date of this announcement, the Vendor is a substantial Shareholder holding 135,992,000 Shares, representing approximately 28.39% of the entire issued share capital of the Company.

Placing Agent

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules).

THE PLACING

Subject to the terms and conditions of the Placing and Subscription Agreement, the Vendor agreed to sell, and the Placing Agent agreed to act as overall coordinator and placing agent of the Vendor to procure, on a best effort basis, not less than six (6) Placees for up to 15,000,000 Placing Shares at the Placing Price on or before the Placing Completion Date.

Placees

The Placing Agent shall procure the Placing Shares to be placed to not less than six (6) Placees, who will be institutional, professional and/or individual investors whose ultimate beneficial owners are (i) third parties independent of and not connected with any of the Company and its connected persons (as defined in the Listing Rules); and (ii) not parties acting in concert (within the meaning of the Takeovers Codes) with any of the Vendor and its concert party(ies) (if any) from the date of the Placing and Subscription Agreement and up to the Placing Completion Date. None of the Placees will, immediately after the Placing, become a connected person (as defined in the Listing Rules) of the Company.

Number of Placing Shares

The Placing Shares represent (i) approximately 3.13% of the entire issued share capital of the Company as at the date of this announcement; and (ii) approximately 3.04% of the entire issued share capital of the Company as enlarged by the Subscription (assuming that there will be no change in the issued share capital of the Company from the date of this announcement and immediately prior to the completion of the Subscription and assuming all of the Subscription Shares are subscribed for).

Placing Price

The Placing Price is HK\$0.80 per Placing Share and represents:

- (1) a discount of approximately 14.90% to the closing price of HK\$0.940 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 15.97% to the average closing price of HK\$0.952 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the Last Trading Day;
- (3) a discount of approximately 16.05% to the average closing price of HK\$0.953 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the Last Trading Day; and
- (4) a discount of approximately 16.32% to the average closing price of HK\$0.956 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days prior to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price of the Shares, as well as the current market sentiment, and was negotiated on an arm's length basis among the Company, the Vendor and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the Placing Price is fair and reasonable under current market conditions and are in the interests of the Company and the Shareholders as a whole.

Rights of the Placing Shares

The Placing Shares rank *pari passu* in all respects with all other Shares in issue, and will be sold free from all liens, charges, encumbrances and third party rights of whatsoever nature, and together with all rights attaching thereto on the Placing Completion Date, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Shares, the record date for which shall fall on or after the Placing Completion Date.

Completion of the Placing

The Placing is unconditional. Completion of the Placing shall take place on the third Business Day after the date of the Placing and Subscription Agreement, i.e. 11 July 2024 (or such later date as may be agreed among the Company, the Vendor and the Placing Agent in writing).

Commission

In consideration of the services of the Placing Agent in relation to the Placing, the Placing Agent is entitled to a commission equivalent to 2% of the gross proceeds from the actual number of Placing Shares placed by the Placing Agent at the Placing Price. Assuming the Placing Shares are placed in full, the maximum commission payable by the Company on behalf of the Vendor to the Placing Agent shall be HK\$240,000.

The commission of the Placing Agent was arrived at after arm's length negotiations between the Company, the Vendor and the Placing Agent.

THE SUBSCRIPTION

Subject to the terms and conditions of the Placing and Subscription Agreement, the Vendor conditionally agreed to subscribe (itself or through its nominee(s)) for, and the Company conditionally agreed to allot and issue, up to 15,000,000 Subscription Shares (being equivalent to the number of Placing Shares) at the Subscription Price (being equivalent to the Placing Price).

The allotment and issue of the Subscription Shares is not subject to the approval of the Shareholders. The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors at the AGM. Under the General Mandate, a maximum of 95,798,952 new Shares may be allotted and issued by the Company. As at the date of this announcement, none of the General Mandate has been utilised, and accordingly, the General Mandate is sufficient to cover the number of Subscription Shares to be allotted and issued under the Subscription.

Number of Subscription Shares

The Subscription Shares represent (i) approximately 3.13% of the entire issued share capital of the Company as at the date of this announcement; (ii) and approximately 3.04% of the entire issued share capital of the Company as enlarged by the Subscription (assuming there will be no change in the issue share capital of the Company from the date of this announcement and immediately prior to the completion of the Subscription and assuming all of the Subscription Shares are subscribed for).

The aggregate nominal value of the Subscription Shares will be HK\$1,500,000 on the basis of full subscription of the Subscription Shares.

Subscription Price

The Subscription Price is HK\$0.80 per Subscription Share, which is equivalent to the Placing Price.

The net price for the Subscription (after deducting of all relevant fees, costs and expenses to be borne or incurred by the Company) is estimated to be approximately HK\$0.78 per Subscription Share.

The Subscription Price was determined with reference to the Placing Price after arm's length negotiations between the Company and the Vendor. The Directors (including the independent non-executive Directors) consider that the Subscription Price is fair and reasonable under current market conditions and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid on allotment and issue, will rank *pari passu* in all respects among themselves and with all other Shares in issue as at the Subscription Completion Date, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Shares, the record date for which shall fall on or after the Subscription Completion Date.

Conditions of the Subscription

The Subscription is conditional upon the fulfilment of the following conditions:

- (1) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares (and such approval not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (2) completion of the Placing pursuant to the Placing and Subscription Agreement.

In the event that the Subscription Completion Date does not take place within fourteen (14) days from the date of the Placing and Subscription Agreement (or such later date as may be agreed among the Company and the Vendor in writing), all rights, obligations and liabilities of the Company and the Vendor thereto in relation to the Subscription shall cease and determine, and neither the Company nor the Vendor shall have any claim against the other in respect of the Subscription.

Completion of the Subscription

Completion of the Subscription shall take place on the second Business Day after the date on which all the conditions of the Subscription as set out in the paragraph headed “Conditions of the Subscription” above are fulfilled, provided that it shall take place on a date no later than fourteen (14) days from the date of the Placing and Subscription Agreement (or such later date as may be agreed among the Company and the Vendor in writing).

As the Vendor is a connected person (as defined in the Listing Rules) of the Company and the Subscription constitutes a connected transaction of the Company exempt under Rule 14A.92(4) of the Listing Rules, if the Subscription is not completed within fourteen (14) days from the date of the Placing and Subscription Agreement, the relevant provisions of the Listing Rules in relation to connected transactions (including the independent Shareholders’ approval requirement) will apply to the Subscription, unless otherwise waived by the Stock Exchange. Further announcement will be made by the Company if this occurs.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change to the issued share capital of the Company from the date of this announcement and up to the date of Completion, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing but before the Subscription; and (iii) immediately after completion of the Placing and the Subscription, is summarised as follows:

	As at the date of this announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Vendor (<i>Note 1</i>)	135,992,000	28.4	120,992,000	25.3	135,992,000	27.5
Mr. Zhang Fan (<i>Note 2</i>)	1,307,400	0.3	1,307,400	0.3	1,307,400	0.3
Sub-total	<u>137,299,400</u>	<u>28.7</u>	<u>122,299,400</u>	<u>25.6</u>	<u>137,299,400</u>	<u>27.8</u>
Placees	–	0.0	15,000,000	3.1	15,000,000	3.0
Other Shareholders	<u>341,695,363</u>	<u>71.3</u>	<u>341,695,363</u>	<u>71.3</u>	<u>341,695,363</u>	<u>69.2</u>
Total	<u><u>478,994,763</u></u>	<u><u>100.0</u></u>	<u><u>478,994,763</u></u>	<u><u>100.0</u></u>	<u><u>493,994,763</u></u>	<u><u>100.0</u></u>

Notes:

- (1) The Vendor is a company incorporated in Samoa with limited liability and the entire issued share capital of which is owned by Mr. Zhang Fan.
- (2) Mr. Zhang Fan is interested in 1,307,400 Shares through personal interest and is deemed to be interested in all of the Shares directly held by the Vendor. Mr. Zhang Fan is also the chairman of the Board and an executive Director.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

REASONS FOR ENTERING INTO THE PLACING AND SUBSCRIPTION AGREEMENT

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

The Board considers that the Placing and the Subscription, being altogether a relatively simple and less time-consuming fund raising activity, represents a good opportunity for the Company to raise additional funds to provide additional working capital to, as well as immediately strengthen the financial position and broaden the shareholder and capital base of, the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Placing and Subscription Agreement (including the Placing Price and the Subscription Price) are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS

Assuming all of the Subscription Shares are subscribed for, the gross proceeds from the Subscription will be HK\$12,000,000, and the net proceeds (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) are estimated to be approximately HK\$11,650,000.

The Company intends to use the net proceeds from the Subscription for general working capital purposes.

GENERAL

An application will be made by the Company to the Stock Exchange for the granting of approval for the listing of, and permission to deal in, the Subscription Shares. Further announcement will be made by the Company upon Completion.

Completion of both the Placing and the Subscription is subject to the fulfilment of the conditions as set out in the Agreement and 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 expressions shall have the meanings set out below unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 18 September 2023;
“Board”	the board of Directors;
“Business Day”	a day on which the Stock Exchange is open for the business of dealing in securities;
“Company”	China Health Group Limited, a company incorporated in Bermuda with limited liability and carrying on business in Hong Kong as CHG HS Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 673);
“Completion”	the completion of the Placing and/or the Subscription (as the case may be);
“Director(s)”	the director(s) of the Company from time to time;
“General Mandate”	the general mandate granted to the Directors at the AGM which entitles the Company to allot and issue a maximum of 95,798,952 new Shares until the earliest of (i) the conclusion of the Company’s next annual general meeting; (ii) the expiration of the period within which the Company’s next annual general meeting is required by its bye-laws or any applicable laws to be held; and (iii) the revocation or variation of the authority given under the resolution in relation to the General Mandate by any ordinary resolution of the Shareholders in a general meeting of the Company;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Last Trading Day”	5 July 2024, being the last trading day prior to the date of the Placing and Subscription Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time;
“Placees”	persons or entities whom the Placing Agent has procured to purchase any of the Placing Shares;
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the terms and subject to the conditions set out in the Placing and Subscription Agreement;
“Placing Agent”	Great Bay Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing and Subscription Agreement”	the placing and subscription agreement dated 8 July 2024 entered into among the Company, the Vendor and the Placing Agent in relation to the Placing and the Subscription;
“Placing Completion Date”	the date on which completion of the Placing takes place, details of which are set out in the paragraph headed “Completion of the Placing” of this announcement;
“Placing Price”	HK\$0.80 per Placing Share;
“Placing Shares”	up to 15,000,000 Shares legally and beneficially owned by the Vendor to be placed pursuant to the Placing and Subscription Agreement;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Share(s)”	ordinary share(s) of HK\$0.10 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;
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the terms and subject to the conditions set out in the Placing and Subscription Agreement;
“Subscription Completion Date”	the date on which completion of the Subscription takes place, details of which are set out in the paragraph headed “Completion of the Subscription” of this announcement;
“Subscription Price”	HK\$0.80 per Subscription Share (a price equivalent to the Placing Price);
“Subscription Shares”	such number of new Shares equivalent to the number of Placing Shares actually placed under the Placing and to be issued and allotted to the Vendor pursuant to the terms and subject to the conditions set out in the Placing and Subscription Agreement;
“Takeovers Codes”	The Codes on Takeovers and Mergers and Share Buy-backs as amended, supplemented or otherwise modified from time to time;
“Vendor”	Treasure Wagon Limited, a company incorporated in Samoa with limited liability and principally engaged in investment holding, and which is wholly owned by Mr. Zhang Fan, chairman of the Board and an executive Director;
“%”	per cent.

By Order of the Board
China Health Group Limited
Zhang Fan

Chairman of the Board and Executive Director

Hong Kong, 8 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.