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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)

SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT
IN RELATION TO
DISCLOSEABLE TRANSACTION

Reference is made to the announcement of China Health Group Limited (the “**Company**”) dated 5 July 2021 (the “**Announcement**”) in relation to the discloseable transaction regarding the acquisition of the Partnership Interest and indirect investment in the Fund. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated.

The Board would like to provide the Shareholders and potential investors of the Company with supplemental information relating to the Transfer and the Fund as follows.

INFORMATION OF THE FUND

The Fund is a limited partnership established in the PRC on 10 July 2020 under the approval of the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) (“**MST**”) dated 15 January 2020.

The Fund is managed by the General Partner. According to the partnership agreement of the Fund, the General Partner is responsible for the management and operations of the Fund, while the limited partners of the Fund including (i) 福州連力創業投資基金合夥企業(有限合夥) (Fuzhou Lianli Venture Capital Fund Partnership (Limited Partnership)*) (“**Lianli VC Fund**”); (ii) 國家科技風險開發事業中心 (National Science and Technology Venture Capital Development Center*) (“**Development Center**”); (iii) 湖南湘江盛世股權投資基金合夥企業(有限合夥) (Hunan Xiangjiang Shengshi Stock Investment Fund Partnership (Limited Partnership)*) (“**Hunan Xiangjiang Fund**”); and (iv) the Target (whose partners include GBZ Investment, the Purchaser after the Transfer, the Vendor and 上海雷公工程機械設備安裝事務所 (Shanghai Leigong Engineering Equipment Installation Office*) (“**Leigong**”)) are passive investors. Apart from recommending potential investment targets to the Fund, the Purchaser and other limited partners do not have any role in the management and operations of the Fund. Pursuant to the partnership agreement of the Fund, its partners are not entitled to any fixed or guaranteed return.

Due to an inadvertent error, the Vendor was mistakenly stated as holding a 15% partnership interest in the Fund on page 7 of the Announcement. The Company would like to clarify that the Vendor only holds indirect interest in the Fund through the Target. Also, Development Center is the limited partner directly holding interest in the Fund, instead of 國家科技部風險成果轉化引導基金 (Guidance Fund for Transformation of Risk Achievements of the MST*) (which is an investment fund operated by Development Center) as disclosed in page 7 of the Announcement. The interests of the partners in the registered and paid-up capital of the Fund as at the date hereof are as follows:

	Registered capital		Paid-up capital	
	<i>(RMB'000)</i>	<i>%</i>	<i>(RMB'000)</i>	<i>%</i>
Lianli VC Fund (as limited partner)	850,000	34.00	340,000	34.00
Development Center (as limited partner)	750,000	30.00	300,000	30.00
Hunan Xiangjiang Fund (as limited partner)	500,000	20.00	200,000	20.00
The Target (as limited partner)	375,000	15.00	150,000	15.00
The General Partner (as general partner)	<u>25,000</u>	<u>1.00</u>	<u>10,000</u>	<u>1.00</u>
	<u><u>2,500,000</u></u>	<u><u>100.00</u></u>	<u><u>1,000,000</u></u>	<u><u>100.00</u></u>

Save for the above clarifications, all other information and contents of the Announcement remain unchanged.

It is expected that the respective partners (including the Target) shall contribute to the paid-up capital of the Fund proportionately within the prescribed time frame as disclosed in the Announcement. Accordingly, the partnership interest of the respective partners in the Fund shall remain the same as disclosed in the Announcement after the Transfer and the Purchaser having made capital contribution of RMB30 million (the “**Investment Sum**”) to the Target pursuant to the Agreement.

As at the date of this announcement, the Fund has invested in three projects, details of which are as follows:

Investment target	Principal business of the investment target	Interest held
Company A	Development and sale of medical equipment specialised for cancer treatment using high-intensity focused ultrasound	25.12%
Company B	Research and development and sale of implantable drugs for cancer treatment	6.25%
Company C	Development and operation of digital healthcare services platform	3.76%

Based on information provided by the General Partner, as at 30 June 2021, the unaudited net asset value of the Fund amounted to approximately RMB1.0 billion.

INFORMATION OF THE PARTIES

Information of the General Partner

Based on information provided by the General Partner, the General Partner was jointly established in January 2016 by GBZ Investment, 長沙湘江博偉私募股權基金管理有限公司 (Changsha Xiangjiang Bowei Private Equity Fund Management Co., Ltd.*), 三七知明(北京)科技有限公司 (Sanqi Zhiming (Beijing) Technology Co., Ltd.*), and 連力(上海)創業投資管理有限公司 (Lianli (Shanghai) Venture Capital Management Co., Ltd.*) with a registered capital of RMB30 million. It is a private equity fund principally engaged in private equity investment and management. The General Partner was registered with the Asset Management Association of China on 24 September 2019.

The General Partner is a professional investment arm within 博偉投資集團 (Bowe Investment Group*) (“**Bowe**”) focusing on the medical industry. Bowei has accumulated rich experience in the investment field since its establishment and is well recognised in the investment management field. As at the date of this announcement, save for the Fund, the General Partner is not managing other similar partnerships, funds or investments.

The key management members of the General Partner and their biographies are set out below:

Mr. Yang Zhansong (楊贊松)

Mr. Yang is the Chairman of the General Partner. He obtained a postgraduate degree in business administration from Jilin University and graduated from University of International Business and Economics with a master's degree in business administration. Mr. Yang has extensive experience in fund management in a wide range of industries in the PRC such as property investment, information technology, medical and healthcare and book store. He is also a founding partner of a number of investment funds.

Mr. Huang Junwang (黃俊旺) (“Mr. Huang”)

Mr. Huang is the general manager of the General Partner. He graduated from Central University of Finance and Economics with a master's degree of accounting and is a visiting professor of Central University of Finance and Economics. He is also a registered accountant and tax accountant in the PRC. Mr. Huang has extensive experience in equity investments, initial public offerings, mergers and acquisitions, reorganisations, operational management and financial planning. Mr. Huang is currently the chief representative of the Healthcare Industry Sub-fund under the MST. He previously held senior management positions with a number of investment funds and companies involving in numerous investment projects, covering a wide range of industries including information technology, green energy, hydropower, agriculture and food processing, town planning, healthcare and medical.

Mr. Zhu Jianfeng (朱劍鋒)

Mr. Zhu is the head of risk control of the General Partner. He graduated from the Dongbei University of Finance and Economics with a bachelor's degree in accounting and is a registered internal control auditor and information system auditor in the PRC. He has extensive experience in internal audit, risk management, financial management and due diligence for mergers and acquisitions. Mr. Zhu worked previously in Big 4 accounting firms and other sizeable conglomerates and consulting companies.

Mr. Chen Peisheng (陳培聖)

Mr. Chen is the investment director of the General Partner. He obtained a bachelor's degree in public affairs management from Harbin Medical University and has extensive experience in mergers and acquisitions, new set-up and investment management for medical practices. Prior to joining the General Partner, Mr. Chen worked for other medical and healthcare companies and fund managers responsible for conducting feasibility studies, due diligence, valuation and investment analysis for business development and operation planning.

Ms. Wang Yingbao (王迎寶)

Ms. Wang is a member of the investment committee of the General Partner. She obtained a doctoral degree in medicine from Peking University and had released various thesis in international medical publications. Ms. Wang has extensive experience in investment in medical and healthcare projects through her previous roles as investment manager in a number of funds.

Ms. Chen Dan (陳丹)

Ms. Chen is a member of the investment committee of the General Partner. She obtained a doctoral degree in medicine from Shandong University and is a post-doctoral researcher at Shandong Academy of Sciences of Qilu University of Technology. She also possesses qualifications as psychologist and Chinese traditional medicine doctor.

Mr. Zhang Jingang (張金剛)

Mr. Zhang is a member of the investment committee of the General Partner. He is the Chief Executive of the Intelligent Imaging Centre of University of Chinese Academy of Sciences and a professor at Xidian University. He specialises in research in optical computing, smart endoscopy and microscopic imaging. Mr. Zhang has released numerous thesis on various topics and has been granted over 20 patents for the application of his aforesaid researches.

Mr. Zhou Yawei (周亞偉)

Mr. Zhou is a member of the investment committee of the General Partner. He is a professor at Peking University and the deputy chief of the Bescholor Research Centre of Peking University specialises in the research of Chinese traditional medicines. Mr. Zhou and his team has released numerous thesis on various topics and has been granted over 50 patents for the application of his researches.

Mr. Hong Fei (洪飛)

Mr. Hong is a member of the investment committee of the General Partner. He obtained a bachelor's degree in clinical medicine from Nanjing Chinese Medicine University and a master's degree in finance from Nanjing University. Mr. Hong has extensive experience in investments in medical and healthcare projects through his previous involvements in major pharmaceutical companies and investment funds.

Information of Lianli VC Fund

Lianli VC Fund is a limited partnership established in the PRC and is principally engaged in venture capital investment. Lianli VC Fund is beneficially owned by 重慶市合川區國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Hechuan District, Chongqing City*).

Information of Development Center

Development Center is a public institution established in the PRC by the MST and is principally engaged in venture capital investment in high-tech enterprises and evaluation and consultation on scientific and technological projects. Development Center is beneficially owned by the MST.

Information of Hunan Xiangjiang Fund

Hunan Xiangjiang Fund is a limited partnership established in the PRC and is principally engaged in unlisted equity investment and consulting services. Hunan Xiangjiang Fund is beneficially owned by 長沙市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Changsha Municipal Government*).

Information of Leigong

Leigong is a company established in the PRC with limited liability and is principally engaged in technical development relating to mechanical engineering, medical equipment and pharmaceutical equipment. The ultimate beneficial owner of Leigong is Ms. Cao Lingling (曹玲玲).

REASONS FOR AND BENEFITS OF THE TRANSFER

The Company came to know of the opportunity to invest in the Fund through Mr. Huang who is a business acquaintance of Mr. Chung Ho, an executive Director. The strategic cooperation memorandum of understanding was entered into between the Company and the General Partner in June 2020 for the purpose of further exploring this investment opportunity.

The Fund is one of the sub-funds approved by the MST. Based on information provided by the General Partner, the formation of the Fund and the admission of limited partners are required to be approved by the MST. As the time that may be taken for obtaining the necessary approval for admitting the Company as a new limited partner of the Fund is unpredictable and uncontrollable, the Company negotiated with the General Partner to invest indirectly in the Fund via the Target as an alternative.

Having considered that (i) the Target is managed by the same team of professionals as the Fund; (ii) the Investment Sum is solely for the purpose of investing in the Fund; and (iii) the Purchaser shall only bear the management fee at the Fund level calculated based on the Investment Sum and shall not bear any other fees or expenses of the Target, the Company considers that acquiring the Partnership Interest is an acceptable arrangement to enable the Company to share the investment return of the Fund indirectly through the Target. Further, leveraging on the background, expertise and experience of the management team of the General Partner, the Company may be able to gain opportunities to further deepen its business development along the healthcare and medical equipment industry with the right of first refusal to acquire projects invested by the Fund. Although the Purchaser does not have any management right in the Target or in the Fund, the Fund is a sub-fund approved and invested by the MST and is subject to monitoring of the MST. In addition, the Company may review the financial performance of the Target and the Fund from time to time as GBZ Investment is required to provide the limited partners including the Purchaser with latest financials of the Target pursuant to the Revised Partnership Agreement. Based on the above, the Company considers that the interests of the investors including the Purchaser in the Fund would be properly safeguarded.

The Investment Sum was determined by the Board after considering the available financial resources of the Group and the working capital requirement of its existing operations. Having considered the above, the Directors are of the view that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSFER TO THE GROUP

The investment in the Target is initially measured at fair value and classified as non-current financial assets since the management of the Company expects that this investment will not be disposed of within 12 months from the end of the reporting period. Transaction costs, if any, directly attributable to the investment are recognised immediately in profit or loss. The investment is measured at fair value at the end of each reporting period, with any fair value gains or losses to be recognised in profit or loss.

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

Hong Kong, 26 July 2021

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

* *for illustration purpose only*