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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 ANNOUNCEMENT IN RELATION TO THE ANNUAL
REPORT FOR THE YEAR ENDED 31 MARCH 2021**

Reference is made to the annual report of China Health Group Limited (the “**Company**” together with its subsidiaries the “**Group**”) for the year ended 31 March 2021 (the “2021 Annual Report”). Terms used herein shall have the same meanings as defined in the 2021 Annual Report unless otherwise stated.

The board of directors (the “**Board**”) of the Company wishes to provide the following additional information and clarify the information in relation to the Share Option Scheme as disclosed in the Report of the Directors and Note 35 to the consolidated financial statements in the 2021 Annual Report.

REPORT OF THE DIRECTORS – SHARE OPTION SCHEME

Share options were granted to 15 business consultants of the Group which comprises of (i) Qiu Peiyuan, Huang Bin and He Lijuan, the former Directors who have become consultants of the Group providing advices on business development of the Group; (ii) a former employee of the Company, namely Ding Jiuru, who has subsequently become a consultant of the Group providing advices on financial operation of the Group; and (iii) consultants and business partners of the Group, namely Pinnacle Tread Limited, Zhong Bin, Liu Yanli, Rao Zhenan, Chan Nam, Hor Heng Siang, Yang Yongbin, Quo Wei, Lu Wenhui, Huang Hui and Wu Guanjie, who have provided business, legal or tax consultancy services or other professional services and introduced investment opportunities to the Group.

The Directors consider that the share options granted to these business consultants will serve the motivation and reward purposes after taking into account the past and expected commitment and contribution of each business consultant to the Group. The grants will allow the Group to engage and retain high caliber business consultants. In addition, the grant of share options is in line with modern commercial practice that the business consultants of the Group be given incentives to work towards enhancing the value of Group and for the benefit of the Group as a whole by aligning their interest with the Group. As such, the Directors consider that the share options granted to these business consultants serve the purpose of the Company's share option scheme and are in the interests of the Company and shareholders as a whole.

NOTE 35 TO THE CONSOLIDATED FINANCIAL STATEMENTS – SHARE OPTION SCHEME

Details of the specific categories of options (including options granted during the year ended 31 March 2021) are as follows:

	Option C	Option B	Option A
Grant date	20 October 2020	26 April 2019	19 May 2017
Vesting Period (<i>Note a</i>)	20 October 2020	(T1) 26 April 2019 to 27 April 2020 (T2) 26 April 2019 to 27 April 2021 (T3) 26 April 2019 to 27 April 2022	19 May 2017
Exercise period	21 October 2021 to 20 October 2031	T1) 27 April 2020 to 26 April 2030 (T2) 27 April 2021 to 26 April 2031 (T3) 27 April 2021 to 26 April 2032	19 May 2017 to 18 May 2022
Exercise price at date of grant	HK\$0.18	HK\$0.18	HK\$0.18
Price of the Company's shares at the date of grant (<i>Note b</i>)	HK\$0.036	HK\$0.0792	HK\$0.1706

Notes:

- (a) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

- (b) The price of the Company's shares disclosed as at the date of the grant of the share option is the higher of the closing price of the shares of the Company on the date of grant of the share options and the average Stock Exchange closing price for the five business days immediately preceding the date of the grant of the share options.

The fair value of equity-settled share options granted during the year ended 31 March 2021 was estimated as at the date of grant, using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Option C
Dividend yield (%)	0.00
Expected volatility (%)	76.404
Risk-free interest rate (%)	0.538
Expected life of option for director (years)	2.75
Expected life of option for employee (years)	2.2
Closing share price at grant date (HK\$)	0.035

The Board also noted that there are inadvertent clerical errors and would like to clarify that the last paragraph in note 35 to the consolidated financial statements in the 2021 Annual Report should read and provide additional information as follows:

The fair value of equity-settled share options granted during the year was approximately HK\$895,000 (2020: 9,926,000) of which the Group recognized a share option expense of approximately HK\$895,000 (2020: 9,926,000) during the year ended 31 March 2021. The following table lists the breakdown of share option expense during the year ended 31 March 2021:

	HK\$'000
Directors	
Zhang Fan	38
Chung Ho	110
Wang Jingming	11
Huang Lianhai	129
Xing Yong	192
Jiang Xuejun	38
Du Yanhua	11
Lai Liangquan	11
Meng Junfeng	18
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Subtotal	<u>558</u>

	HK\$'000
Directors of the subsidiaries of the Company	
Liu Hongdi	6
Liao Jijiang	8
Tang Wenji	3
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Subtotal	17
	<hr/> <hr/>
Employees	137
Business consultants	183
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Total	895
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The Board confirms that the above supplemental information does not affect other information contained in the 2021 Annual Report. Save as disclosed above, the contents of the 2021 Annual Report remain unchanged.

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

Hong Kong, 28 December 2021

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.