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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)

- (1) PROPOSED CAPITAL REDUCTION OF ISSUED SHARES;**
(2) PROPOSED SUB-DIVISION OF AUTHORISED BUT UNISSUED SHARES; AND
(3) PROPOSED REDUCTION OF SHARE PREMIUM

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES, SUB-DIVISION OF UNISSUED SHARES AND REDUCTION OF SHARE PREMIUM

The Board proposes the Capital Reduction, the Sub-division and the Share Premium Reduction to be implemented in the following manner:

- (i) the Capital Reduction whereby the par value of each of the issued Shares will be reduced from HK\$1.00 to HK\$0.10 per issued Share by cancelling the paid up share capital to the extent of HK\$0.90 per issued Share;
- (ii) the Sub-division whereby each of the authorised but unissued Shares with par value of HK\$1.00 each will be sub-divided into ten (10) unissued New Shares with par value of HK\$0.10 each;
- (iii) the Share Premium Reduction whereby the entire amount standing to the credit of the share premium account of the Company will be reduced to nil; and

- (iv) upon the Capital Reduction and the Share Premium Reduction becoming effective, the credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended from time to time) to thereafter be applied towards *inter alia* offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction and the Share Premium Reduction (the “**Accumulated Losses**”) in accordance with and as permitted by all applicable laws and the memorandum of association and bye-laws of the Company and as the Board considers appropriate.

GENERAL

The AGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reduction, the Sub-division and the Share Premium Reduction. A circular containing, among other things, further details of the Capital Reduction, the Sub-division and the Share Premium Reduction, together with a notice convening the AGM and the related proxy form, will be despatched by the Company to the Shareholders on or before 24 August 2023.

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES, SUB-DIVISION OF UNISSUED SHARES AND REDUCTION OF SHARE PREMIUM

The Board proposes the Capital Reduction, the Sub-division and the Share Premium Reduction to be implemented in the following manner:

- (i) the Capital Reduction whereby the par value of each of the issued Shares will be reduced from HK\$1.00 to HK\$0.10 per issued Share by cancelling the paid up share capital to the extent of HK\$0.90 per issued Share;
- (ii) the Sub-division whereby each of the authorised but unissued Shares with par value of HK\$1.00 each will be sub-divided into ten (10) unissued New Shares with par value of HK\$0.10 each;
- (iii) the Share Premium Reduction whereby the entire amount standing to the credit of the share premium account of the Company will be reduced to nil; and

- (iv) upon the Capital Reduction and the Share Premium Reduction becoming effective, the credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended from time to time) to thereafter be applied towards *inter alia* offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction and the Share Premium Reduction (the “**Accumulated Losses**”) in accordance with and as permitted by all applicable laws and the memorandum of association and by-laws of the Company and as the Board considers appropriate.

As at the date of this announcement, the authorised share capital of the Company is HK\$10,000,000,000 divided into 10,000,000,000 Shares of par value HK\$1.00 each, of which 478,994,763 Shares have been issued and are fully paid or credited as fully paid and 9,521,005,237 Shares remain unissued, and US\$150 divided into preference shares of US\$0.01 each. As at the date of this announcement, the share premium account of the Company has a credit balance of approximately HK\$528,340,000.

For the avoidance of doubt, the authorised share capital of the Company shall remain at HK\$10,000,000,000 and US\$150 prior to and immediately after completion of the Capital Reduction, the Sub-division and the Share Premium Reduction.

Upon the Capital Reduction, the Sub-division and the Share Premium Reduction becoming effective, after the share subdivision of each authorised but unissued Share of HK\$1.00 into ten (10) New Shares of HK\$0.10 each, the authorised share capital will be HK\$10,000,000,000 divided into 100,000,000,000 New Shares of HK\$0.10 each, of which 478,994,763 Shares will be issued New Shares, and US\$150 divided into preference shares of US\$0.01 each.

The issued New Shares will rank *pari passu* with each other in all respects, including the rights as to dividends, voting and return of capital. Other than the expenses incurred in relation to the Capital Reduction, the Sub-division and the Share Premium Reduction, the implementation will not in itself, alter the underlying assets, business operations, management or financial position of the Group or the proportionate interests or rights of the Shareholders. The Capital Reduction, the Sub-division and the Share Premium Reduction will not have any material adverse effect on the financial position of the Group.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reduction, the Sub-division and the Share Premium Reduction become effective, the share capital structure of the Company immediately after the Capital Reduction, the Sub-division and the Share Premium Reduction becoming effective will be as follows:

	As at the date of this announcement	Immediately after the Capital Reduction and the Sub-division becoming effective
Par value	HK\$1.00 per Share US\$0.01 per preference share	HK\$0.10 per New Share US\$0.01 per preference share
Amount of the authorised share capital	HK\$10,000,000,000 and US\$150	HK\$10,000,000,000 and US\$150
Number of authorised shares	10,000,000,000 Shares 15,000 preference shares	100,000,000,000 Shares 15,000 preference shares
Amount of the issued share capital	HK\$478,994,763	HK\$47,899,476.30
Number of issued shares	478,994,763 Shares	478,994,763 New Shares
Number of unissued shares	9,521,005,237 Shares	99,521,005,237 New Shares

As at the date of this announcement, 478,994,763 Shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 478,994,763 issued Shares will be reduced from HK\$1.00 to HK\$0.10 per issued Share by cancelling the paid up share capital to the extent of HK\$0.90 per issued Share by way of a reduction of capital, so as to form issued New Shares with par value of HK\$0.10 each, the Company's existing issued share capital of HK\$478,994,763 will be reduced by HK\$431,095,286.70 to HK\$47,899,476.30.

Conditions of the Capital Reduction, the Sub-division and the Share Premium Reduction

The Capital Reduction, the Sub-division and the Share Premium Reduction are conditional on the following conditions being fulfilled:

- (i) the passing of the necessary special and ordinary resolutions by the Shareholders at the AGM to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reduction, the Sub-division and Share Premium Reduction;
- (ii) the Stock Exchange granting the listing of, and the permission to deal in, the New Shares arising from the Capital Reduction and the Sub-division;
- (iii) the compliance with the relevant procedures and requirements under the laws of Bermuda, which includes the Directors being satisfied that on the date the Capital Reduction and the Share Premium Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction and the Share Premium Reduction would be, unable to pay its liabilities as they become due;

- (iv) the compliance with the Listing Rules to effect the Capital Reduction, the Sub-division and the Share Premium Reduction; and
- (v) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reduction, the Sub-division and the Share Premium Reduction.

Assuming the above conditions are fulfilled, the Capital Reduction, the Sub-division and the Share Premium Reduction will become effective on the second Business Day immediately following the fulfilment of these conditions, which is expected to be 20 September 2023.

Listing of and dealings in the New Shares

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Sub-division.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the share capital or debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Free exchange of share certificates

Subject to the Capital Reduction and the Sub-division becoming effective, Shareholders may, on or after Wednesday, 20 September 2023 and until Thursday, 19 October 2023 (both days inclusive), submit their existing certificates for the Shares in blue colour to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the New Shares in brown colour. Thereafter, certificates for Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate issued for the New Shares or each existing shares certificate for the Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. After trading hours on Tuesday, 19 September 2023, existing share certificates for the Shares will only remain effective as documents of legal title and may be exchanged for certificates for the New Shares at any time but will not be accepted for delivery, trading and settlement purposes.

REASONS FOR AND EFFECTS OF THE CAPITAL REDUCTION, THE SUB-DIVISION AND THE SHARE PREMIUM REDUCTION

The proposed Capital Reduction and Sub-division will enable the par value of the Shares to be reduced from HK\$1.00 to HK\$0.10 each. Upon the Capital Reduction and the Share Premium Reduction becoming effective, the credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended from time to time) to thereafter be applied towards *inter alia* offsetting the Accumulated Losses of the Company as at the effective date of the Capital Reduction and the Share Premium Reduction, thereby reducing the Accumulated Losses of the Company in accordance with and as permitted by all applicable laws and the memorandum of association and bye-laws of the Company and as the Board considers appropriate.

As such, the Directors are of the view that the Capital Reduction, the Sub-division and the Share Premium Reduction are in the best interests of the Company and its Shareholders as a whole.

Save for applying the credit arising from the Capital Reduction and the Share Premium Reduction towards offsetting the Accumulated Losses of the Company and the expenses to be incurred in relation to the Capital Reduction, the Sub-division and the Share Premium Reduction, the Directors consider that the Capital Reduction, the Sub-division and the Share Premium Reduction will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

As at the date of this announcement, the Company has no intention to carry out other corporate action or arrangement, including share consolidation, share subdivision and capital reduction, in the next 12 months. Depending on the business development and funding need of the Group, the Company may require to conduct equity fund raising exercise in the next 12 months. As at the date of this announcement, the Company did not have concrete plan for any fund raising activity. Further announcement will be made by the Company, when appropriate, in compliance with the Listing Rules.

EXPECTED TIMETABLE OF THE CAPITAL REDUCTION, THE SUB-DIVISION AND THE SHARE PREMIUM REDUCTION

Set out below is the expected timetable for the implementation of the Capital Reduction, the Sub-division and the Share Premium Reduction. The expected timetable is subject to the results of the AGM and satisfaction of the conditions to the Capital Reduction, the Sub-division and the Share Premium Reduction and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to the Hong Kong local times and dates.

Event	Timeline
Despatch date of circular with notice of the AGM	on or before Thursday, 24 August 2023
Latest time for lodging transfers of shares in order to qualify for attendance and voting at the AGM	4:30 p.m. on Tuesday, 12 September 2023
Closure of register of members for determining the identity of the Shareholders entitled to attend and vote at the AGM	from Wednesday, 13 September 2023 to Monday, 18 September 2023
Latest time for lodging forms of proxy for the AGM	11 a.m. on Saturday, 16 September 2023
Record date for attendance and voting at the AGM	Monday, 18 September 2023
Date and time of the AGM	11:00 a.m. on Monday, 18 September 2023
Announcement of the poll results of the AGM	Monday, 18 September 2023

The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reduction, the Sub-division and the Share Premium Reduction as set out in this announcement.

Event	Timeline
Effective date of the Capital Reduction, the Sub-division and the Share Premium Reduction	Wednesday, 20 September 2023
Commencement of dealing in the New Shares	9:00 a.m. on Wednesday, 20 September 2023
First day of free exchange of existing share certificates for new share certificates for the New Shares	Wednesday, 20 September 2023
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Thursday, 19 October 2023

GENERAL

The AGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reduction, the Sub-division and the Share Premium Reduction. A circular containing, among other things, further details of the Capital Reduction, the Sub-division and the Share Premium Reduction, together with a notice convening the AGM and the related proxy form, will be despatched by the Company to the Shareholders on or before 24 August 2023.

As no Shareholders have a material interest in the Capital Reduction, the Sub-division and the Share Premium Reduction, no Shareholders will be required to abstain from voting on the resolutions to approve the Capital Reduction, the Sub-division and the Share Premium Reduction.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“AGM”	the annual general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Capital Reduction, the Sub-division and the Share Premium Reduction
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange generally is open for business of dealing in securities in Hong Kong. For the avoidance of doubt, where the Stock Exchange is closed for the business of dealing in securities in Hong Kong on a business day by reason of a Number 8 or higher typhoon signal, black rainstorm warning or other similar event, such day shall for the purposes of this announcement be counted as a business day
“Capital Reduction”	the reduction of the issued share capital of the Company by reducing the par value of each issued Share from HK\$1.00 to HK\$0.10 by cancelling the paid up share capital to the extent of HK\$0.90 per issued Share
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Company”	China Health Group Limited (stock code: 673), an exempted 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
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company immediately following the Capital Reduction and the Sub-division becoming effective
“Share(s)”	ordinary share(s) with par value of HK\$1.00 each in the share capital of the Company prior to the Capital Reduction and the Sub-division becoming effective
“Share Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong
“Shareholder(s)”	the holder(s) of the Share(s)

“Share Premium Reduction”	the proposed reduction of the entire amount standing to the credit of the share premium account of the Company to nil
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the sub-division of each authorised but unissued Share into ten (10) unissued New Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 1 August 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.