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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 AGREEMENT AND COMPLETION
IN RESPECT OF THE DISCLOSEABLE TRANSACTION OF THE
GRANTING OF OPERATION RIGHT TO THE GROUP
TO OPERATE ANPING BO'AI HOSPITAL
AND
CONTINUED SUSPENSION OF TRADING**

Reference is made to the announcement of the Company dated 12 September 2016 (the “**Announcement**”) in relation to, *inter alia*, the granting of a 20-year operation right (the “**Operation Right**”) to the Group to operate Anping Bo'ai Hospital. Unless otherwise defined, capitalised terms used herein shall have the respective meanings ascribed to them in the Announcement.

THE SUPPLEMENTAL AGREEMENT

On 29 September 2016 (after trading hours of the Stock Exchange), the Company, the Management Company, Mr. Sang, Mr. Han and Anping Bo'ai Hospital entered into a supplemental agreement to revise, *inter alia*, the income and cost model to operate Anping Bo'ai Hospital under the Operation Right in the Agreement (the “**Supplemental Agreement**”).

Principal revision contemplated under the Supplemental Agreement is summarised below:

Pursuant to the Agreement, the Management Company will receive all the revenue and bear all the expenses of Anping Bo'ai Hospital during the term of management and operation of Anping Bo'ai Hospital and that the Management Company will be entitled to 85% of profit sharing from the Anping Bo'ai Hospital if there is any net profit for that financial year (the "**Original Model**"). Under the Supplemental Agreement, the parties to the Supplemental Agreement have mutually agreed that the income and cost model to operate Anping Bo'ai Hospital is revised to the effect that the Management Company will be entitled to a monthly operation and management income in an amount equal to 90% of the total monthly revenue generated from the business operation of Anping Bo'ai Hospital. Meanwhile, the Management Company will bear all expenses of Anping Bo'ai Hospital during the terms of management and operation of Anping Bo'ai Hospital but excluding (i) depreciation, repair and maintenance expenses and equipment upgrade and renovation cost to be incurred from the existing equipment available as stipulated in the Agreement; (ii) rental expenses; (iii) finance cost; and (iv) any legal and professional fees arising from legal proceeding against Anping Bo'ai Hospital (the "**Revised Model**").

Save for the aforesaid revision, all other principal terms of the Agreement remain in full force and effective.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

During the course of conducting the due diligence exercise on the proposed transactions contemplated under the Agreement by the Company, it was mutually agreed among parties to the Supplemental Agreement that it is more appropriate to revise the profit-sharing term under the Original Model to revenue-sharing under the Revised Model in order to get a clearer understanding on the calculation of the amount to be shared.

The Revised Model was determined among all parties to the Supplemental Agreement after arm's length negotiation and having considered that there will not have material impact to the operation and financial of the Management Company under the Revised Model as compared to the Original Model. In light of the above, the Directors are of the view that the terms of the Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

COMPLETION

The Board is pleased to announce that all the conditions precedent as set out in the Agreement (as supplemented by the Supplemental Agreement) have been fulfilled and completion of the granting of the Operation Right to the Group to operate Anping Bo'ai Hospital took place on 29 September 2016.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 4 July 2016 pending the publication of the annual results of the Company for the year ended 31 March 2016.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board
China Health Group Limited
Weng Yu
Executive Director

Hong Kong, 29 September 2016

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Weng Yu, Mr. Wang Yongqing, Mr. Chung Ho and Mr. Wang Jingming; twelve non-executive directors, namely, Mr. Ying Wei, Mr. Zhang Song, Ms. Wei Changying, Mr. Pei Kewei, Mr. Xing Yong, Mr. Wang Zili, Ms. Wang Fang, Mr. Yang Cheng, Mr. Wang Xiaolin, Mr. Huang Bin, Mr. Wang Yuexiang and Ms. He Lijuan; and six independent non-executive directors, namely, Mr. Xiao Zuhe, Mr. Wang Qingyou, Mr. Zou Lian, Ms. Yang Huimin, Mr. Liang Qi and Mr. Xin Hua.