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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)

(I) DISCLOSEABLE TRANSACTION – SETTLEMENT DEED; AND
(II) CHANGE IN INTENDED USE OF PROCEEDS

THE SETTLEMENT

On 19 November 2024, Long Heng (a wholly-owned subsidiary of the Company) and the Company received the Demand Letter from the legal representatives of the Noteholder asserting its rights under the Agreement and the Promissory Note on the basis that the Cross-Default Clause had been triggered. Pursuant to the terms of the Agreement, the triggering of the Cross-Default Clause entitles the Noteholder to assert a claim to accelerate payment under the Promissory Note.

To resolve the resulting Disputes as set out in the section headed “Cross-default event and the Disputes” below and as part of the Group’s restructuring efforts to restore its long-term financial stability, the Company, Long Heng, the Noteholder and the Guarantor entered into the Settlement Deed on 3 July 2025. The principal terms of the Settlement Deed include: (i) the Noteholder returning the original copy of the Promissory Note to the Company for cancellation; (ii) Long Heng transferring the entire equity interest in the Target to the Noteholder for a nominal consideration of HK\$1; and (iii) Long Heng paying the Noteholder a sum of HK\$12 million by the issuance of the Settlement Note by the Company as final settlement of the Disputes.

Upon completion of the Settlement (including the Transfer), members of the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Company.

It is intended that the net proceeds from the Capital Raising would be used for early repayment of the Settlement Note, details of which are set out in the section headed “Intended payment of the Settlement Note and change of use of proceeds” below. In the event that the Capital Raising does not proceed to completion, the Group will explore other funding options as appropriate, including internal resources, debt and/or equity financing to repay the Settlement Note.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Settlement (including the Transfer) exceeds 5% but is less than 25%, the entering into of the Settlement Deed and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements set out in Chapter 14 of the Listing Rules.

INTENDED PAYMENT OF THE SETTLEMENT NOTE AND CHANGE IN USE OF PROCEEDS

As set out in the Capital Raising Announcement, the Company has proposed the Capital Raising involving subscriptions of new shares of the Company and the rights issue to raise net proceeds of approximately HK\$80.9 million.

The Board, having considered the liquidity needs of the Group in the coming months, resolved to change the intended use of net proceeds from the Capital Raising by allocating a portion of working capital use to the repayment of the Settlement Note in the manner set out below:

- (i) as to approximately HK\$65.3 million for settlement of payables of the Group including: (a) approximately HK\$31.2 million for repayment of the Judgment Debt; (b) approximately HK\$15.5 million for settlement of loans (including estimated interest) to the Group; (c) approximately HK\$3.6 million for settlement of overdue salaries of employees of the Group; (d) approximately HK\$5.1 million for the settlement of certain professional fees (save for those relating to the Subscriptions and the Rights Issue); and (e) approximately HK\$9.9 million for settlement of overdue Directors remuneration;
- (ii) as to approximately HK\$12 million for repayment of principal of the Settlement Note; and
- (iii) as to the balance amounted to approximately HK\$3.6 million as working capital of the Group.

The Board believes that the above change of intended use of proceeds, to allow for the early repayment of the Settlement Note, will enable the Group to resolve the Disputes, affording the Group greater flexibility in managing cash flow as it continues its efforts to restore long-term financial stability.

TAKEOVERS CODE IMPLICATIONS

The Board wishes to draw the Shareholders' attention to (i) the Capital Raising Announcement in relation to, among others, the proposed subscriptions of new shares of the Company and rights issue; and (ii) the announcement of the Company dated 12 June 2025 in relation to extension of the latest time for despatch of the Circular in respect of the Capital Raising to a date falling on or before 11 July 2025.

The Settlement Deed and the transactions contemplated thereunder constitute a discloseable transaction of the Company. Pursuant to Rule 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the Unaudited Financial Information of the Target Group whereas pursuant to Rule 14.60(3)(a) of the Listing Rules, the Company is required to disclose the Financial Effect of the Settlement in this announcement. Announcement of the Settlement Deed has to be published as soon as possible pursuant to the Listing Rules.

However, the Unaudited Financial Information and the Financial Effect included in this announcement constitute profit forecasts under Rule 10 of the Takeovers Code and requires to be reported on by the Company's financial adviser and auditors or accountants in accordance with the requirements stipulated under Rule 10.4 of the Takeovers Code. Given the time constraints, the Company has encountered genuine practical difficulties in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code in this announcement.

Pursuant to Rule 10.4 and Practice Note 2 to the Takeovers Code, the financial information contained in this announcement must be repeated in full together with the reports from the Company's financial advisers and auditors or accountants in the next document to be sent to the Shareholders by the Company, which being the Circular.

It is expected that the Company's annual results for the year ended 31 March 2025 will be published prior to the despatch of the Circular, and the relevant results together with the notes to the financial statements will be included in the Circular. The Financial Effect will be disclosed in the announcement of 2025 Annual Results. Audited financial information of the Target Group as referred to in the section headed "Information of the Target Group" below will also be included in the Circular. Consequently, the requirements under Rule 10 of the Takeovers Code in connection with the Unaudited Financial Information and the Financial Effect contained in this announcement will be superseded by the publication of the 2025 Annual Results and the audited financial information of the Target Group to be included in the Circular.

The Unaudited Financial Information and the Financial Effect have not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and hence do not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should exercise caution in placing reliance on the Unaudited Financial Information and the Financial Effect in assessing the merits and demerits of the Settlement (including the Transfer).

In addition, Shareholders and potential investors should be aware that the completion of the Settlement Deed is subject to fulfillment of the Condition Precedent. Therefore, the Settlement may or may not materialise and proceed.

In light of the above, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Wednesday, 2 July 2025 as the Company was unable to publish the Company's 2025 Annual Results on or before 30 June 2025, and will remain suspended pending publication of the 2025 Annual Results.

INTRODUCTION

Reference is made to (i) the Acquisition Announcement in relation to the acquisition of 100% equity interest in the Target; (ii) the announcement of the Company dated 16 November 2023 in relation to completion of the Acquisition; and (iii) the Inside Information Announcement. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Acquisition Announcement and the Inside Information Announcement.

On 12 October 2023, Long Heng (a wholly-owned subsidiary of the Company), the Company, the Noteholder and the Guarantor entered into the Agreement for Long Heng to acquire the entire equity interest in the Target at the Consideration of HK\$146 million, satisfied by way of issuing the Promissory Note by the Company to the Noteholder. Completion of Acquisition took place on 16 November 2023.

Pursuant to the Agreement, the receipt by the Company of a statutory demand or winding-up petition from any other creditor prior to the Promissory Note Maturity Date would trigger the Cross-Default Clause under the Agreement, entitling the Noteholder to assert a claim to accelerate payment under the Promissory Note.

On 23 October 2024, the Company received a statutory demand from Capital Foresight Limited in respect of the judgment debt of US\$4 million pursuant to the judgment against the Company handed down by the Court of Appeal on 18 October 2024.

On 19 November 2024, Long Heng and the Company received the Demand Letter from the legal representatives of the Noteholder asserting that the Cross-Default Clause had been triggered. The Noteholder claimed its rights under the Agreement and the Promissory Note and sought to accelerate the payment based on the revised Consideration, being the lower of HK\$146 million or the value of the Target Group to be determined by an independent valuer jointly appointed by Long Heng and the Noteholder.

Further details of the above are set out in the section headed “Cross-default event and the Disputes” below.

To resolve the resulting Disputes and as part of the Group’s restructuring efforts to restore its long-term financial stability, the Company, Long Heng, the Noteholder and the Guarantor entered into the Settlement Deed on 3 July 2025, instead of appointing an independent valuer to assess the value of the Target Group for the purpose of revising the Consideration. The principal terms of the Settlement Deed include: (i) the Noteholder returning the original copy of the Promissory Note to the Company for cancelation; (ii) Long Heng transferring the entire equity interest in the Target to the Noteholder for a nominal consideration of HK\$1; and (iii) Long Heng paying the Noteholder a sum of HK\$12 million by the issuance of the Settlement Note by the Company as final settlement of the Disputes. Further details of the Settlement Deed are set out below.

SETTLEMENT DEED

Set out below is a summary of the principal terms of the Settlement Deed:

Date

3 July 2025

Parties

- (i) the Noteholder;
- (ii) the Guarantor;
- (iii) Long Heng, a wholly-owned subsidiary of the Company; and
- (iv) the Company.

As disclosed in the Acquisition Announcement, the Noteholder is a company incorporated in Samoa with limited liability. It is wholly owned by the Guarantor and is principally engaged in investment holding.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Noteholder and the Guarantor are Independent Third Parties. As of the date of the Settlement Deed, the Noteholder and the Guarantor (i) do not directly or indirectly hold any issued Shares, or any warrants, options, or convertible securities entitling them to subscribe for, convert, or exchange into Shares; and (ii) are not acting in concert with any Shareholders.

Condition Precedent

Completion of the Settlement Deed is conditional upon the fulfilment and continued satisfaction of the condition that Long Heng and the Company having completed all necessary internal approval procedures (including board of directors' approval and shareholders' approval (if required)) with respect to the Settlement Deed and the transactions contemplated thereunder, and having obtained all necessary consents or approvals from relevant government or regulatory authority or any other person (including, if required, approval or no-opinion confirmation from the Stock Exchange and/or the SFC in respect of any announcement and/or circular to be issued by the Company in relation to the Settlement Deed).

If the Condition Precedent is not fulfilled in accordance with the terms of the Settlement Deed on or before 21 July 2025 (or such other date as the parties to the Settlement Deed may agree in writing), the Settlement Deed shall cease to have effect, and all obligations and liabilities of the parties shall terminate immediately (except for any continuing obligations expressly set forth in the Settlement Deed).

Terms of the Settlement Deed

The parties agree that the terms of the Settlement Deed shall constitute a full, final and binding settlement of the Disputes. The parties shall, on the fifth (5th) Business Day after the fulfilment of the Condition Precedent (or such other date as the parties may agree in writing), simultaneously complete the following matters:

- (i) The Noteholder shall return the original copy of the Promissory Note to the Company, and the Company shall cancel the Promissory Note immediately upon receipt. Upon cancellation, the Promissory Note shall cease to have any legal effect. The Company shall be permanently and irrevocably released from all obligations (whether of payment, performance or otherwise) under the Promissory Note. The Noteholder, the Guarantor and each of their respective affiliates and successors shall have no further right to demand performance, enforce, or seek settlement of any obligations under the Promissory Note;
- (ii) Long Heng shall effect the Transfer of the entire equity interest in the Target to the Noteholder for a nominal consideration of HK\$1. The parties shall procure the board of directors of the Target to approve the Transfer and update the register of members; and
- (iii) Long Heng shall pay the Noteholder the Settlement Amount in the sum of HK\$12 million in full and final settlement of the Disputes. The Settlement Amount shall be settled by way of the Settlement Note issued by the Company.

Upon completion of the aforesaid matters (i), (ii) and (iii),

- (a) the Noteholder and the Guarantor shall irrevocably and permanently waive all claims, rights and entitlements arising under or in connection with and or all transactions, agreements and documents relating to the Acquisition (including, without limitation, the Agreement and the Promissory Note);
- (b) each party to the Settlement Deed agrees that it shall not hold any other party liable or responsible in respect of any of the Disputes;
- (c) no party to the Settlement Deed shall re-initiate any form of claim or proceeding against any other party in relation to the Disputes or any matters arising out of or in connection therewith; and
- (d) the Agreement shall terminate immediately and unconditionally, with all rights and obligations (whether express or implied) irrevocably discharged.

For the avoidance of doubt, the foregoing release covers any known or unknown claims and shall remain unaffected by subsequent discoveries of facts or law, and shall not prejudice the parties' right to remedies arising from breaches under the Settlement Deed.

Settlement Note

Principal terms of the Settlement Note are summarised below.

Issuer:	The Company
Principal amount:	HK\$12 million
Interest:	The Settlement Note shall not carry any interest.
Maturity:	The Settlement Note shall mature on 30 June 2026.
Transferability:	The Settlement Note is not transferrable.
Early redemption right:	The Company has the right to redeem the full principal amount (but not part) before the Settlement Note Maturity Date without interest or penalty. The Company must give the Noteholder at least ten (10) Business Days' written notice, specifying the redemption amount (i.e. the full principal amount of HK\$12 million) and payment date. The Noteholder must return the original Settlement Note within five (5) Business Days of receiving notice, whereupon the Company will pay the redemption amount on the specified date. Once paid, the Settlement Note will cease to have any legal effect. The exercise of this early redemption right does not affect other rights or obligations under the Settlement Deed.

INFORMATION OF THE TARGET GROUP

The Target Group is principally engaged in the research and development and sale of functional foods for the prevention of cardiovascular and cerebrovascular diseases. The financial statements of the Target Group have been consolidated into the accounts of the Group since 16 November 2023, completion date of the Acquisition.

Financial information

Set out below is the unaudited financial information of the Target Group (the “**Unaudited Financial Information**”). According to its unaudited consolidated management accounts for the two years ended 31 March 2024 and 2025:

	For the year ended 31 March 2024 (HK\$'000)	For the year ended 31 March 2025 (HK\$'000)
Profit/(loss) before tax	308	(1,696)
Profit/(loss) after tax	308	(1,554)

The unaudited profit recorded by the Target Group for the year ended 31 March 2024 was primarily attributable to a bargain purchase gain arising from the Target's acquisition of its subsidiaries prior to the completion of the Acquisition in November 2023. The unaudited consolidated loss recorded by the Target Group for the year ended 31 March 2025 was mainly due to impairment losses on intangible assets and other receivables.

The unaudited consolidated net assets of the Target Group amounted to approximately HK\$2.9 million as at 31 March 2025.

CROSS-DEFAULT EVENT AND THE DISPUTES

On 12 October 2023, Long Heng (a wholly-owned subsidiary of the Company), the Company, the Noteholder and the Guarantor entered into the Agreement, pursuant to which Long Heng agreed to acquire the entire equity interest in the Target at the Consideration of HK\$146 million. The Consideration was satisfied by the issuance of the Promissory Note in the same principal amount by the Company to the Noteholder. Completion of the Acquisition took place on 16 November 2023.

Under the Agreement, the Guarantor provided a profit guarantee whereby the net profit after taxation of the Target Group for the financial years ended 31 December 2024 and 2025 shall not be less than RMB15 million and RMB40 million, respectively. In the event that the aggregate of the aforesaid guaranteed profits not being met, the Guarantor is required to compensate the Group for the shortfall, such compensation to be settled simultaneously with the Promissory Note on its maturity date, being 27 February 2026 or the 14th business day following the issuance of the audited financial statements of the Target Group for the year ending 31 December 2025, whichever is later. Details of the compensation mechanism are set out in the Acquisition Announcement.

The Agreement further specifies that if the Group receives a statutory demand or winding-up petition from any creditor prior to the Promissory Note Maturity Date, this would be considered a cross-default event. In such circumstances, the Noteholder may exercise the contractual right to accelerate payment under the Promissory Note, regardless of whether the profit guarantee would eventually be met.

On 23 October 2024, the Company received a statutory demand from Capital Foresight Limited in respect of a judgment debt of US\$4 million, pursuant to a judgment handed down by the Court of Appeal on 18 October 2024.

On 19 November 2024, Long Heng and the Company received the Demand Letter from the legal representatives of the Noteholder, asserting its rights under the Agreement and the Promissory Note based on the triggering of the Cross-Default Clause. Pursuant to the Agreement, in the event of cross-default, Long Heng and the Noteholder shall jointly appoint an independent valuer to evaluate the value of the Target Group. The Consideration shall then be revised to the lower of the value of the Target Group or HK\$146 million. The revised Consideration is to be payable at a time to be mutually agreed, but in any event no later than the Promissory Note Maturity Date.

As disclosed in the Group's interim report for the six months ended 30 September 2024, the Promissory Note was recognised as a contingent consideration at fair value in the Group's unaudited consolidated statement of financial position. The unaudited fair value of the Promissory Note as at 30 September 2024 was approximately HK\$20.3 million.

Following the triggering of the Cross-Default Clause, the Company and the Noteholder engaged in negotiations regarding the appointment of an independent valuer to determine the revised Consideration in accordance with the Agreement. However, no consensus was reached. The Noteholder indicated that the revised Consideration should be no less than the fair value of the Promissory Note as disclosed in the 2024 Interim Results. The Noteholder also expressed concern that, as the parent company of the Target Group, the Company shall make reasonable efforts to promote the Target Group's business, and that the ongoing Disputes had delayed execution of the Target Group's business plan.

Subsequently, after further negotiations, the parties agreed to resolve the Disputes by entering into the Settlement Deed, instead of appointing an independent valuer to assess the value of the Target Group for the purpose of revising the Consideration pursuant to the Agreement.

REASONS FOR AND BENEFITS OF THE SETTLEMENT

The Group is principally engaged in (i) medical equipment and consumables distribution and service business; and (ii) hospital operation and management services business, which together represent its core revenue streams.

As set out in the section headed “Cross-fault event and the Disputes” above, on 19 November 2024, Long Heng and the Company received the Demand Letter from the legal representatives from the Noteholder asserting its rights under the Agreement and the Promissory Note on the basis that the Cross-Default Clause had been triggered. Pursuant to the terms of the Agreement, the triggering of the Cross-Default Clause entitles the Noteholder to assert a claim to accelerate payment under the Promissory Note. Consequently, the Noteholder may demand immediate payment of the revised Consideration, regardless of whether the profit guarantee provided by the Guarantor would be met following the conclusion of the financial year of the Target Group ending 31 December 2025.

Following the triggering of the Cross-Default Clause, the Company and the Noteholder entered into discussions regarding the revised Consideration pursuant to the terms of the Agreement. However, no consensus was reached on the appointment of an independent valuer. The Noteholder indicated that the revised Consideration should not be less than the fair value of the Promissory Note as disclosed in the 2024 Interim Report. The Noteholder also raised concerns regarding the Company’s role in promoting the Target Group’s business, which had experienced delays in implementing its business plan amid the ongoing Disputes.

In the absence of a mutually agreed settlement, the Company would potentially face prolonged legal proceedings to determine the revised Consideration. Such proceedings would impose further financial strain on the Group and divert management time and resources from its core business operations.

After arm’s length negotiations, the terms of the Settlement Deed were agreed between the Company and the Noteholder, having taken into account, among others: (i) the Noteholder’s contractual entitlement to accelerate payment under the Promissory Note in the event of cross-default; (ii) the parties’ failure to reach consensus regarding the appointment of an independent valuer to revise the Consideration, and the resulting impact of the Disputes on the implementation of the Target Group’s business plan; (iii) the unaudited fair value of the Promissory Note of approximately HK\$20.3 million as at 30 September 2024 as disclosed in the 2024 Interim Report; and (iv) the overall benefits of the Settlement in alleviating uncertainty and mitigating legal and financial risk for the Group.

The Settlement represents a commercially pragmatic resolution to the Disputes by eliminating a material contingent liability, mitigating the risk of legal proceedings, and providing a full and final resolution of all claims, disputes, and disagreements among the parties to the Agreement. As part of this resolution, the aggregate of (i) the Settlement Amount of HK\$12 million; and (ii) the unaudited net assets of the Target Group of approximately HK\$2.9 million as at 31 March 2025 amounts to HK\$14.9 million, representing a discount of approximately 26.6% to the unaudited fair value of the Promissory Note as at 30 September 2024.

The Settlement allows the Group to reallocate its resources toward restoring financial stability and refocusing on its core operations. It is intended that the net proceeds from the Capital Raising would be used for early repayment of the Settlement Note, details of which are set out in the section headed “Intended payment of the Settlement Note and change of use of proceeds” below. In the event that the Capital Raising does not proceed to completion, the Group will explore other funding options as appropriate, including internal resources, debt and/or equity financing to replay the Settlement Note.

In light of the above, the Directors consider that the terms of the Settlement Deed are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE SETTLEMENT

Upon completion of the Settlement (including the Transfer), members of the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Company.

Based on the unaudited financial information as contained in the 2024 Interim Report and assuming completion of the Settlement having taken place on 30 September 2024, the Group would have recognised a gain in change of fair value of contingent consideration of approximately HK\$4.6 million, calculated based on the unaudited fair value of the Promissory Note accounted for as contingent consideration as at 30 September 2024 of approximately HK\$20.3 million, less (i) the Settlement Amount of HK\$12 million; and (ii) the unaudited consolidated net assets of the Target Group of approximately HK\$3.7 million as at 30 September 2024. After further deducting the unaudited goodwill arising from the Acquisition of approximately HK\$3.0 million as at 30 September 2024, the estimated gain arising from the Settlement would be approximately HK\$1.6 million (the “**Financial Effect**”).

The above Financial Effect, which is based on the unaudited financial information of the Group as at 30 September 2024, is for illustrative purpose only and may or may not change. The actual financial effect of the Settlement will be determined with reference to the financial status of the Target Group upon completion of the Settlement.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Settlement (including the Transfer) exceeds 5% but is less than 25%, the entering into of the Settlement Deed and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements set out in Chapter 14 of the Listing Rules.

INTENDED PAYMENT OF THE SETTLEMENT NOTE AND CHANGE IN USE OF PROCEEDS

As set out in the Capital Raising Announcement, the Company has proposed the Capital Raising involving subscriptions of new shares of the Company and the rights issue to raise net proceeds of approximately HK\$80.9 million.

The Board, having considered the liquidity needs of the Group in the coming months, resolved to change the intended use of net proceeds from the Capital Raising by allocating a portion of working capital use to the repayment of the Settlement Note in the manner set out below:

- (i) as to approximately HK\$65.3 million for settlement of payables of the Group including:
 - (a) approximately HK\$31.2 million for repayment of the Judgment Debt; (b) approximately HK\$15.5 million for settlement of loans (including estimated interest) to the Group; (c) approximately HK\$3.6 million for settlement of overdue salaries of employees of the Group; (d) approximately HK\$5.1 million for the settlement of certain professional fees (save for those relating to the Subscriptions and the Rights Issue); and (e) approximately HK\$9.9 million for settlement of overdue Directors remuneration;
- (ii) as to HK\$12 million for repayment of principal of the Settlement Note; and
- (iii) as to the balance amounted to approximately HK\$3.6 million as working capital of the Group.

The Board believes that the above change of intended use of proceeds, to allow for the early repayment of the Settlement Note, will enable the Group to resolve the Disputes, affording the Group greater flexibility in managing its cash flow as it continues its efforts to restore long-term financial stability.

TAKEOVERS CODE IMPLICATIONS

The Board wishes to draw the Shareholders' attention to (i) the Capital Raising Announcement in relation to, among others, the proposed subscriptions of new shares of the Company and rights issue; and (ii) the announcement of the Company dated 12 June 2025 in relation to extension of the latest time for despatch of the Circular in respect of the Capital Raising to a date falling on or before 11 July 2025.

The Settlement Deed and the transactions contemplated thereunder constitute a discloseable transaction of the Company. Pursuant to Rule 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the Unaudited Financial Information whereas pursuant to Rule 14.60(3)(a) of the Listing Rules, the Company is required to disclose the Financial Effect in this announcement. Announcement of the Settlement Deed has to be published as soon as possible pursuant to the Listing Rules.

However, the Unaudited Financial Information and the Financial Effect included in this announcement constitute profit forecasts under Rule 10 of the Takeovers Code and requires to be reported on by the Company's financial adviser and auditors or accountants in accordance with the requirements stipulated under Rule 10.4 of the Takeovers Code. Given the time constraints, the Company has encountered genuine practical difficulties in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code in this announcement.

Pursuant to Rule 10.4 and Practice Note 2 to the Takeovers Code, the financial information contained in this announcement must be repeated in full together with the reports from the Company's financial advisers and auditors or accountants in the next document to be sent to the Shareholders by the Company, which being the Circular.

It is expected that the Company's annual results for the year ended 31 March 2025 will be published prior to the despatch of the Circular, and the relevant results together with the notes to the financial statements will be included in the Circular. The Financial Effect will be disclosed in the announcement of 2025 Annual Results. Audited financial information of the Target Group as referred to in the section headed "Information of the Target Group" above will also be included in the Circular. Consequently, the requirements under Rule 10 of the Takeovers Code in connection with the Unaudited Financial Information and the Financial Effect contained in this announcement will be superseded by the publication of the 2025 Annual Results and the audited financial information of the Target Group to be included in the Circular.

WARNING

The Unaudited Financial Information and the Financial Effect have not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and hence do not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should exercise caution in placing reliance on the Unaudited Financial Information and the Financial Effect in assessing the merits and demerits of the Settlement (including the Transfer).

In addition, Shareholders and potential investors should be aware that the completion of the Settlement Deed is subject to fulfillment of the Condition Precedent. Therefore, the Settlement may or may not materialise and proceed.

In light of the above, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Wednesday, 2 July 2025 as the Company was unable to publish the Company's 2025 Annual Results on or before 30 June 2025, and will remain suspended pending publication of the 2025 Annual Results.

DEFINITIONS

In this announcement, the following terms have the meanings set out below, unless the context otherwise requires:

“2024 Interim Report”	the interim report of the Group for the six months ended 30 September 2024
“2025 Annual Results”	the Company's annual results for the year ended 31 March 2025
“Acquisition”	the acquisition of the entire equity interest in the Target by Long Heng pursuant to the terms and conditions of the Agreement, completed on 16 November 2023
“Acquisition Announcement”	the announcement of the Company dated 12 October 2023 in relation to the Acquisition
“Agreement”	the sale and purchase agreement dated 12 October 2023 entered into among Long Heng, the Company, the Noteholder and the Guarantor in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“Capital Raising”	the proposed capital raising exercise involving subscriptions of new Shares and the rights issue to raise net proceeds of approximately HK\$80.9 million as set out in the Capital Raising Announcement

“Capital Raising Announcement”	the announcement of the Company dated 22 May 2025 in relation to the Capital Raising
“Circular”	a circular relating to, among other things, the Capital Raising to be despatched by the Company to the Shareholders
“Company”	China Health Group Limited (stock code: 673), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Condition Precedent”	condition precedent for completion of the Settlement Deed
“Consideration”	the consideration for the Acquisition of HK\$146,000,000 under the Agreement (subject to revision under the Cross-Default Clause)
“Cross-Default Clause”	the provision under the Agreement which specifies that the receipt by the Company of a statutory demand or winding-up petition from any creditor prior to the Promissory Note Maturity Date shall constitute a cross-default event
“Demand Letter”	the letter received by Long Heng and the Company on 19 November 2024 from the legal representatives of the Noteholder asserting its rights under the Agreement and the Promissory Note on the basis that the Cross-Default Clause had been triggered
“Director(s)”	the director(s) of the Company, from time to time
“Disputes”	all disputes and disagreements arising out of or in connection with the Agreement and the Promissory Note as well as any claims made by the Noteholder, whether they have occurred, are occurring or may potentially occur in the future (including, without limitation, those referenced in the Demand Letter)
“Group”	the Company and its subsidiaries

“Guarantor”	Ms. Ma Xiaoming, who owns the entire equity interest in the Noteholder and is the guarantor guaranteeing the performance of the obligations of the Noteholder (including the profit guarantee for the Target Group for the two years ended 31 December 2024 and 2025) under the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Inside Information Announcement”	the announcement of the Company dated 20 November 2024 in relation to updates on the Acquisition in respect of, among others, receipt of the Demand Letter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Heng”	Long Heng Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Noteholder”	Ever True Ventures Limited, a company incorporated in the Samoa with limited liability, being the vendor of the Acquisition and the holder of the Promissory Note
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note”	the promissory note issued by the Company to the Noteholder at completion of the Acquisition as consideration for the Acquisition in accordance with the Agreement
“Promissory Note Maturity Date”	the maturity date of the Promissory Note, being 27 February 2026 or the 14th business day after the issue of the audited financial statements of the Target Group for the year ending 31 December 2025, whichever is later

“Settlement”	the settlement of the Disputes and the transactions contemplated under the Settlement Deed
“Settlement Amount”	HK\$12 million to be paid by Long Heng to the Noteholder in full and final settlement of the Disputes, to be settled by the issuance of the Settlement Note
“Settlement Deed”	the conditional settlement deed dated 3 July 2025 entered into among Long Heng, the Company, the Noteholder and the Guarantor in relation to the Settlement (including the Transfer)
“Settlement Note”	the promissory note to be issued by the Company to the Noteholder as settlement of the Settlement Amount in accordance with the Settlement Deed
“Settlement Note Maturity Date”	30 June 2026
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary shares of par value HK\$0.1 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
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target”	Jinmei Developments Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target and its subsidiaries
“Transfer”	transfer of the entire equity interest in the Target by Long Heng to the Noteholder pursuant to the terms and conditions of the Settlement Deed
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB”

renminbi, the lawful currency of the PRC

“%”

per cent

By order of the Board
China Health Group Limited
Chung Ho

Chief Executive Officer and Executive Director

Hong Kong, 3 July 2025

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.