



**CHINA HEALTH GROUP INC.**

**中國醫療集團有限公司**

(Carrying on business in Hong Kong as “萬全醫療集團”)

*(Formerly known as “Venturepharm Laboratories Limited”)*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8225)

**THIRD QUARTERLY REPORT 2017  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

*\*for identification only*

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***Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)***

***GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.***

***Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.***

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*This report, for which the directors (the “Directors”) of China Health Group Inc.(the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

The board of directors “the Board” of the Company announces the unaudited third quarterly results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2017, together with the comparative figures.

## **HIGHLIGHTS**

1. The Group achieved a turnover of around RMB 28,144,000 for the nine months ended 30 September 2017, representing an increase of approximately 56% compared with that of the corresponding period in 2016.
2. The Group achieved profit before taxation of around RMB 12,104,000 for the nine months ended 30 September 2017, representing an increase of approximately 358% compared with that of the corresponding period in 2016.
3. The Group achieved net profit attributable to equity shareholder of the Company of around RMB 10,228,000 for the nine months ended 30 September 2017, representing an increase of approximately 358% compared with that of the corresponding period in 2016.
4. Basic earnings per share amounted to RMB 1.04 cent for the nine months ended 30 September 2017 representing an increase of approximately 316% compared with that of the corresponding period in 2016.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited		Unaudited	
		Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	12,044	2,434	28,144	18,058
Cost of sales		<u>(2,584)</u>	<u>(584)</u>	<u>(6,307)</u>	<u>(4,334)</u>
<b>Gross profit</b>		<b>9,460</b>	<b>1,850</b>	<b>21,837</b>	<b>13,724</b>
Administrative expenses	3	(2,302)	(3,718)	(9,708)	(10,541)
<b>Profit from operations</b>		<u>7,158</u>	<u>(1,868)</u>	<u>12,129</u>	<u>3,183</u>
Other income		35	(105)	50	118
Finance costs		<u>(23)</u>	<u>(164)</u>	<u>(76)</u>	<u>(660)</u>
<b>Profit before taxation</b>		<b>7,170</b>	<b>(1,973)</b>	<b>12,103</b>	<b>2,461</b>
Income tax	6	<u>(1,076)</u>	<u>296</u>	<u>(1,815)</u>	<u>(396)</u>
<b>Profit for the year</b>		<u><b>6,094</b></u>	<u><b>(1,677)</b></u>	<u><b>10,228</b></u>	<u><b>2,245</b></u>
Attributable to :					
equity holders of the Company		<b>6,094</b>	<b>(1,677)</b>	<b>10,228</b>	<b>2,245</b>
Minority interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit for the stated period		<u><b>6,094</b></u>	<u><b>(1,677)</b></u>	<u><b>10,228</b></u>	<u><b>2,245</b></u>
<b>Earnings per share (cent)</b>					
- basic	5	<b>0.61</b>	<b>(0.18)</b>	<b>1.04</b>	<b>0.25</b>
- diluted	5	<b>0.61</b>	<b>(0.18)</b>	<b>1.04</b>	<b>0.22</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share- Based				Statutory enterprise				Minority interest	Total
	Share capital	Payment reserve	Special Reserve	Capital reserve	Statutory reserve	fund expansion	Retained earnings	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2016	81,699	5,626	6,039	2,254	3,821	6,986	(146,093)	-	(39,668)	
New issue of shares	-	-	-	-	-	-	-	-	-	
Profit for the period	-	1,392	-	-	-	-	2,245	-	3,637	
At 30 September										
2016	<u>81,699</u>	<u>7,018</u>	<u>6,039</u>	<u>2,254</u>	<u>3,821</u>	<u>6,986</u>	<u>(143,848)</u>	<u>-</u>	<u>(36,031)</u>	
At 1 January 2017	88,673	7,050	6,039	6,231	3,821	6,986	(143,966)	-	(25,166)	
New issue of shares	-	-	-	-	-	-	-	-	-	
Profit for the period	-	-	-	-	-	-	10,228	-	10,228	
At 30 September										
2017	<u>88,673</u>	<u>7,050</u>	<u>6,039</u>	<u>6,231</u>	<u>3,821</u>	<u>6,986</u>	<u>(133,738)</u>	<u>-</u>	<u>(14,938)</u>	

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies and basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) HKAS 34 Interim Financial Reporting. In addition, the financial statements comply with the applicable disclosure provisions of Rule 18, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2016.

### 2. Turnover and revenue

The Group is principally engaged in integrated services which including Clinical Research Service (CRS), Regulatory Affair Service (RA) and Post Market Service (PMS). Breakdown of the revenue from all services is as follows:

	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Clinical Research Services (CRS)	708	28	5,921	13,283
Regulatory Affair (RA)	-	-	-	-
Post Market Service (PMS)	11,336	2,406	22,223	4,775
	<u>12,044</u>	<u>2,434</u>	<u>28,144</u>	<u>18,058</u>

Turnover of Post Market Service (PMS) for the three months ended 30 September 2017 increased faster, of which third party revenue accounted for large proportion, about RMB 9,124,000; otherwise, Related Party Transaction Revenue (from Venturepharma Group (China) Corp.) was about RMB 2,220,000.

### 3. Administrative expenses

	Unaudited		Unaudited	
	Three months ended 30 September	2016	Nine months ended 30 September	2016
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	<b>2,302</b>	<b>3,554</b>	<b>9,708</b>	<b>10,541</b>

Administrative expenses for the nine months ended 30 September 2017 decreased by 8% compared with that of the corresponding period in 2016.

### 4. Dividends

The Board do not recommend the payment of any dividend for the nine months ended 30 September 2017 (2016: Nil).

### 5. Earnings per share

Basic earnings per share for the nine months ended 30 September 2017 is calculated by dividing the unaudited profit attributable to owner of the Group for the period of around RMB 10,228,000 ( profit of around RMB 2,245,000 for the corresponding period of 2016) by the weighted average number of 992,771,660 ordinary shares (2016: 915,271,660 shares) for the period.

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 2017 in respect of a dilution as the outstanding share options has an anti-dilutive effect on the basis earning per share amounts presented. The calculation of the diluted earnings per share the nine months ended 30 September 2016 was based on the unaudited earnings attributable to owner of the Group and adjusted to eliminate the interest expense less the tax effect for the period. The weighted average number of 1,017,869,360 ordinary shares is adjusted for the effect of the dilutive potential ordinary shares to be issued to the exercise of the options granted under all relevant Share Option Schemes and the conversion of convertible bond of 102,597,700 shares for the period .

### 6. Income Taxes

No Hong Kong profit taxes has been provided for, as the Group had no estimated assessable profits in Hong Kong for the period(2016: Nil).

PRC Enterprise Income Tax has been calculated on the estimated assessable profit for the year according to the relevant laws and regulations. The applicable income tax rate is ranging from 15% to

25% as at 30 September 2017 (2016: 15%-25%). During the year, Beijing Dezhong Venturepharm Medical Development Co.,Ltd.(北京德眾萬全藥物技術開發有限公司), Beijing Venturepharm Sunshine Medical Technology Co.,Ltd.(北京萬全陽光醫藥科技有限公司), Beijing Venturepharm Sunshine Pharmaceutical Technology Co.,Ltd.(北京萬全陽光醫學技術有限公司), Beijing Dezhong Venturepharm Pharmaceutical Technology Co.,Ltd.(北京德眾萬全醫藥科技有限公司) and Hainan Shengke Life Science Research Co.,Ltd.(海南盛科生命科學研究院) have obtained the qualification for High-tech Enterprises and subject to the PRC Enterprise Income Tax at 15%.

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months</b>		<b>Nine months</b>	
	<b>Ended 30 September</b>		<b>ended 30 September</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000	
Chinese Income Tax	<b>(1,075)</b>	<b>(296)</b>	<b>(1,815)</b>	<b>396</b>

#### **7. Segment information**

As all assets and operations of the group are located in China during this period, there is no geographical segment analysis.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group has achieved a turnover of RMB 28,144,000 for the nine months ended 30 September 2017, representing an increase of approximately 56% compared with that of the corresponding period in 2016, which is mainly due to the net effect of the turnover decrease in Clinical Research Service (CRS) and the substantial increase in Post Market Service (PMS).

### **PROSPECTS**

The Group will focus on the advantages of resources to improve its capacities and performance in services by providing fully integrated pharmaceutical services which including Clinical Research Service (CRS), Regulatory Affair Service (RA) and Post Market Service (PMS). In the meantime, the Group believes that as the Government further standardizes and implements its supervision, the market environment will become more favorable to the Group. Meanwhile, the investment from Chinese Government into the scientific research of biologic and pharmaceutical technology will greatly stimulate the R&D service market. The upcoming new booming age of the pharmaceutical industry will not only present the Group with rare and precious business opportunities, but also considerable return for the shareholders.

### **DIVIDEND**

The Board do not recommended payment of any dividend for the nine months ended 30 September 2017.

### **SIGNIFICANT INVESTMENTS**

Nil

### **CONTINGENT LIABILITIES**

As of 30 September 2017, the Group did not have any unrecorded or undisclosed contingent liabilities.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Other than those disclosed in the Company's public announcements, the Group does not have any other plans for material investments or capital assets.

## **FOREIGN EXCHANGE EXPOSURE**

During the period under review, the Group's transactions were substantially denominated in Renminbi ("RMB"). In view of the RMB appreciation trend, the Group engaged in risk-free value-added banking activities in due course and transferred its RMB-denominated businesses to USD-denominated businesses according to the relevant business scale. The Group closely monitors its foreign currency risk from time to time and will use appropriate hedging when necessary.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the nine months ended 30 September 2017.

## **COMPETING INTERESTS**

As of 30 September 2017, none of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

## **CORPORATE GOVERNANCE**

### **(1) Corporate governance practices**

The Company applied the principles and fully complied with the Code Provision as set out in Appendix 15 of the GEM Listing Rules (“CG Code”) with certain deviations save as disclosed in respect of the roles of chairman and chief executive officer.

### **(2) Directors’ securities transactions**

The Company has adopted the Company Code for Securities Transactions by Directors of Listed Issuers in compliance with the provisions that are set out in the GEM Listing Rules as its own code of conduct for Directors’ dealings of securities since 29 June 2005. Specific enquiries have been made with all Directors and the Directors confirmed that they have complied with the required standard set out in the Company Code during the nine months ended 30 September 2017.

### **(3) Chairman and chief executive officer**

Chairman of the Board is responsible for the leadership and effective running of the Board, and ensures that all key and appropriate issues are discussed by the Board in a timely and constructive manner.

However, the Chief Executive of the Company has not yet been appointed. Currently, the day-to-day management of the Company’s business is handled by the executive directors and senior management, who take the responsibility to run the Group’s business and to implement the Group’s strategy so as to achieve the overall commercial objectives of the Company.

### **(4) Board practice and procedures**

During the period from the date of listing to 30 September 2017, the Company has been in compliance with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules.

### **(5) Audit Committee**

The audit committee was established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company’s annual reports and accounts, half-yearly reports and quarterly reports and internal control system of the Group and provide advice and comments to the Board. The audit committee has three members comprising the three Independent Non-executive Directors, Mr. Shou Yuan WU, Mr. Mark Gavin Lotter and Dr. Bin Hui Ni. Mr. Shou Yuan WU is the chairman of the audit committee.

The unaudited third quarterly results of the Group for the nine months ended 30 September 2017 have been reviewed by the Audit Committee.

**(6) Directors' Acknowledgement of Their Responsibility for the Financial Statements**

The Directors acknowledge that they take full responsibility in the preparation of the financial statements.

**By Order of the Board  
China Health Group Inc.  
William Xia GUO  
Chairman**

Beijing, 14 November, 2017

*As at the date of this announcement, the Board comprises:*

*Executive Directors:*

William Xia GUO

Maria Xue mei SONG

*Non-Executive Directors:*

Michael SU

*Independent Non-Executive Directors:*

Shou Yuan WU

Bin Hui NI

Mark Gavin Lotter