



**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: 08225)

**FIRST QUARTERLY REPORT 2018**

FOR THE THREE MONTHS ENDED 31 MARCH 2018

# **FIRST QUARTERLY REPORT**

FOR THE THREE MONTHS

ENDED 31 MARCH 2018

**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 only make the decision to invest after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professionals 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This report, for which the directors (the “Directors”) of China Health Group Inc. (formerly known as Venturepharm Laboratories Limited) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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 or deceptive; (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.



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The Directors announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2018, together with the comparative figures.

#### HIGHLIGHTS

1. The Group achieved a turnover of RMB15,051,000 for the three months ended 31 March 2018 (the “Period”), representing an increase of approximately 81.6% compared with the corresponding period of 2017.
2. The Group achieved profit before taxation of RMB6,958,000 for the three months ended 31 March 2018, representing an increase of approximately 181.24% compared with the corresponding period of 2017.
3. Basic earning per share is approximately 0.60 cents for the three months ended 31 March 2018, representing an increase of 183.68% compared with the corresponding period of 2017.
4. The Board does not recommend the payment of any interim dividends for the three months ended 31 March 2018.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>Unaudited</b>	
		<b>Three months ended 31 March</b>	
		2018	2017
	Note	RMB'000	RMB'000
Revenue	3	15,051	8,288
Cost of services		(3,915)	(1,314)
Gross profit		<u>11,136</u>	<u>6,974</u>
Other income		26	3
Administrative expenses	4	(4,196)	(4,480)
Profit from operations		<u>6,967</u>	<u>2,497</u>
Finance costs		(9)	(23)
Profit before taxation		6,958	2,474
Income tax	6	(1,044)	(371)
Profit and total comprehensive income for the period		<u><u>5,914</u></u>	<u><u>2,103</u></u>
Attributable to:			
Equity shareholders of the company		5,914	2,103
Non-controlling interests		0	0
		<u><u>5,914</u></u>	<u><u>2,103</u></u>
Earnings per share(RMB cents)	5		
- Basic and diluted		<u><u>0.60</u></u>	<u><u>0.21</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Based		Special reserve	Capital reserve	Statutory reserve	Statutory enterprise		Non- controlling interests	Total
	Share Capital	payment reserve				expansion fund	Accumulated losses		
	RMB'000	RMB'000				RMB'000	RMB'000		
At 1 January 2017	88,673	7,050	6,039	6,231	3,821	6,986	(143,966)	-	(25,166)
Profit for the period	-	-	-	-	-	-	2,103	-	2,103
At 31 March 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>(141,863)</u>	<u>-</u>	<u>(23,063)</u>
At 1 January 2018	88,673	3,863	6,039	6,231	7,158	6,986	(113,146)	-	5,804
Profit for the period	-	-	-	-	-	-	5,914	-	5,914
At 31 March 2018	<u>88,673</u>	<u>3,863</u>	<u>6,039</u>	<u>6,231</u>	<u>7,158</u>	<u>6,986</u>	<u>(107,232)</u>	<u>-</u>	<u>11,718</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Corporate information**

China Health Group Inc. (The “Company”) was incorporated in the Cayman Islands on 21 May 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands. On 1 October 2016, the address of its registered office was changed from 4th Floor, PO Box 2804, Scotia Centre, George Town, Grand Cayman, Cayman Islands to P.O. Box 31119 Grand Cayman Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company has had its shares listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited since 10 July 2003.

The Company is an investment holding company. The principal activities of its subsidiaries are to provide fully integrated pharmaceutical services including clinical research services, post marketing surveillance, real-world study, medical science events, medical marketing and product promotion service, and other medical services. The Company is focusing on building itself into a group corporation providing comprehensive terminal medical service under international architecture.

### **2. Accounting policies and basis of preparation**

These unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the listing of Securities on The Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2017 except for the changes in accounting policies, if required, in adopting new or revised

HKFRSs and interpretations that are first effective for accounting periods beginning on or after 1 January 2018.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The measurement basis used in the preparation of the condensed consolidated financial statements is the historical cost basis.

These unaudited condensed consolidated financial statements are presented in Renminbi ("RMB") and it is also the functional currency of the Company.

### 3. Revenue and segment information

The Company is principally engaged in providing research, development, medical science events and clinical registry. Breakdown of the revenue from all services is as follows:

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Analysis of revenue by category		
Provision of post marketing surveillance, real-world study, medical science events, and medical marketing (PMS)	<b>13,164</b>	5,994
Provision of contracted clinical research services (CRS)	-	2,294
Other medical services	<b>1,887</b>	-
Total	<b><u>15,051</u></b>	<b><u>8,288</u></b>

Revenue of PMS for the three months ended 31 March 2018 increased faster, representing an increase of approximately 119.63% compared with the corresponding period of 2017. Moreover, the revenue of related parties transactions was about RMB5,870,000, accounted for the 39% of the total revenue for the period in 2018. In this quarter, CRS was unconfirmed.

### 4. Administrative expenses

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Administrative expenses	<b><u>4,196</u></b>	<b><u>4,480</u></b>

Administrative expenses dropped down 6.34% compared with the corresponding period of 2017.

### 5. Earnings per share

Basic earnings per share is calculated by dividing the unaudited net profit approximately RMB5,914,000 (2017: RMB2,103,000) attributable to owners of the Group by the weighted

average number of 992,771,660 ordinary shares of the Company for the Quarter (2017: 992,771,660 Shares).

No adjustment had been made to the basic earnings per share amount as presented for the three months ended 31 March 2018 and 2017 in respect of a dilution of the outstanding share options which had an anti-dilutive effect on the basic earnings per share.

## 6. Income Tax

No provision for Hong Kong profits tax has been made, as the Group had no estimated assessable profits in Hong Kong for three months ended 31 March 2018 and 2017.

“PRC” Enterprise Income Tax has been calculated on the estimated assessable profit for the Period according to the relevant laws and regulations. The applicable income tax rate is ranging from 15% to 25% as at 31 March 2018 (the Last Year Period: 15%-25%). During the year, Beijing Venture-Sun Medical Technology Co.,Ltd.(北京萬全陽光醫學技術有限公司) and Hainan Shengke Life Science Research Co.,Ltd.(海南盛科生命科學研究院) have applied to the PRC tax authority as High-tech Enterprises and subject to the PRC Enterprise Income Tax at 15%.

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
PRC Enterprise Income Tax		
-Current period	<b><u>1,044</u></b>	<u>371</u>

## 7. Dividends

The Board does not recommend the payment of any dividend for the period ended 31 March 2018( period ended 31 March 2017:Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS



## **FINANCIAL REVIEW**

The Group achieved a turnover of RMB15,051,000 during the three months ended 31 March 2018, representing an increase of approximately 82% compared with that in the corresponding period of last year.

The consolidated turnover included approximately RMB13,164,000 derived from the post marketing surveillance, real-world study, medical science events and medical market services (PMS), amounted to 87.46% of the total revenue, which was representing an increase of approximately 119.63% from RMB5,994,000 compared with the corresponding period of 2017. Otherwise, the related parties transactions of the Company was about RMB5,869,966.83 during the Quarter, accounting for the 39% of the total revenue.

## **PROSPECTS**

The Group will continuously push forward the strategic transition from a leading technology transference supplier to a health care service group under the internet architecture. The Group will also continuously strengthen the terminal of clinical medicine of research-type extension based on the clinical research, at the same time push forward the construction of medical management platform under the internet architecture, rehabilitation therapy industry platforms, and special features of hospital industry platform with steady steps.

The Board will also review and assess of potential project or investment according to reliable principles, in order to improve the group business performance and return to shareholders.

## **Dividends**

The Board does not recommend the payment of any interim dividends for the period (2017:Nil).

## **SIGNIFICANT INVESTMENTS**

Nil

## **CONTINGENT LIABILITIES**

As of 31 March 2018, the Group did not have any contingent liabilities.

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

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

## **FOREIGN EXCHANGE EXPOSURE**

During the period under review, the Group's transactions were substantially denominated in Renminbi ("RMB"). 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 three months ended 31 March 2018.

#### **COMPETING INTERESTS**

For the three months ended 31 March 2018, none of the Directors or the substantial 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.

#### **DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 March 2018, the interests and short positions of the Company's Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required (a) to notify the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provision of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name	Type of interest	Capacity	Number of	Number of	Total	Approximate
			shares in which	shares in which		
			interested	interested under	number	percentage of
			(other than	physically settled	of shares	interest(%)
			under equity	equity derivatives		
			derivatives)			
				(Note 4)		
William Xia GUO	Personal	Beneficial owner	103,595,941	10,974,000	114,569,941	11.54%
William Xia GUO	Corporate	Interest of a controlled Corporation (Note 1)	345,268,873		345,268,873	34.78%
William Xia GUO	Corporate	Interest of a controlled Corporation (Note 2)	149,432,583	–	149,432,583	15.05%
William Xia GUO	Corporate	Interest of a controlled Corporation (Note 3)	91,915,181	–	91,915,181	9.26%
Maria Xuemei SONG	Personal	Beneficial owner	636,500	1,636,000	2,272,500	0.23%
Mr. Michael SU	Personal	Beneficial owner		220,000	220,000	0.02%
Shou Yuan Wu	Personal	Beneficial owner		100,000	100,000	0.01%
Mark Gavin Lotter	Personal	Beneficial owner		100,000	100,000	0.01%
Bin Hui NI	Personal	Beneficial owner		100,000	100,000	0.01%

Note 1: Winsland Agents Limited is 100% directly held by Mr. William Xia GUO.

Note 2: The controlled corporation, Venturepharm Holdings Inc., is 47.63 % directly held by Mr. William Xia GUO and 49.00 % held by Mr. William Xia GUO through Winsland Agents Limited, his wholly and beneficially owned company incorporated in British Virgin Islands.

Note 3: The controlled corporation, Bright Excel Assets Limited, is 100 % beneficially owned by Venturepharm Holdings Inc.

Note 4: Various interests of the Directors pursuant to physically settled equity derivatives are through share options granted.

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2018, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Capacity	Number of shares	Approximate percentage of interest
Winsland Agents Limited (Note 1 )	Beneficial owner	345,268,873	34.78
Venturepharm Holdings Inc. ( Note 2 )	Beneficial owner	149,432,583	15.05
Venturepharm Holdings Inc. ( Note 3 )	Interest of controlled corporation	91,915,181	9.26
Bright Excel Assets Limited ( Note 3 )	Beneficial owner	91,915,181	9.26
William Xia Guo ( Note 1,2,3 及 4 )	Beneficial owner and interest of controlled corporation	701,186,578	70.63

### Long positions in shares and underlying shares of the Company

Note 1: Winsland Agents Limited is 100% directly held by Mr. William Xia GUO. The shares include 77,500,000 shares granted under the 2014 Convertible Notes. Noteholder has converted all Convertible Notes to ordinary share of 77,500,000 shares on 31 December 2016. There will be no Convertible Notes of the Company held by the Noteholder after the Conversion.

Note 2: Venturepharm Holdings Inc. is 47.63% directly held by Mr. William Xia GUO and 49% held by Mr. William Xia GUO through Winsland Agents Limited, his wholly and beneficially owned company incorporated in the British Virgin Islands.

Note 3: The controlled corporation, Bright Excel Assets Limited, is 100 % beneficially owned by Venturepharm Holdings Inc.

Note 4: Apart from shares held through Venturepharm Holdings Inc., and Winsland Agents Limited, the interests of 10,974,000 shares which are granted to him under the Share Option Scheme are beneficially owned by Mr. William Xia GUO.

Save as disclosed above, as at 31 March 2018 there was no other person who was recorded in the register of the Company as having interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO

or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein.

## **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 September 2005 “Company Code”. Specific enquiries have been made with all Directors and the Board confirmed that they have complied with the required standard set out in the Company Code in the period from 1 January 2018 to 31 March 2018.

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

Chairman of the Board of Directors is responsible for the leadership and effective running of the Board of Directors (the “Board”), and ensures that all keys 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 31 March 2018, 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 of the Board (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. Rui QIU, Mr. Mark Gavin LOTTER and Dr. Bin Hui NI. Mr. Rui QIU is the chairman of the audit committee. The Company’s financial statements for the Period had been reviewed by the Audit Committee.

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

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

**By Order of the Board**  
**William Xia GUO**  
**Chairman**

Beijing, 14 May, 2018

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

*Executive Directors:*

William Xia GUO

Maria Xuemei SONG

*Non-Executive Directors:*

Michael SU

*Independent Non-Executive Directors:*

Rui QIU

Mark Gavin LOTTER

Bin Hui NI