



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”)

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

(Stock Code: 08225)

FIRST QUARTERLY REPORT 2019

FOR THE THREE MONTHS ENDED 31 MARCH 2019

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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 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 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.

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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 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; (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 Board of Directors (the “Board”) of the Company announces the unaudited first quarterly report of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2019, together with the comparative figures.

HIGHLIGHTS

1. The Group achieved a turnover of RMB16,344,000 for the three months ended 31 March 2019 (the “Period”), representing an increase of 8.59% compared with the corresponding period of 2018.
2. The Group achieved profit before taxation of RMB8,349,000 for the three months ended 31 March 2019, representing an increase of 20% compared with the corresponding period of 2018.
3. Basic and diluted earnings per share is RMB0.72 cents for the three months ended 31 March 2019, representing an increase of 20% compared with the corresponding period of 2018.
4. The Board does not recommend the payment of any dividends for the three months ended 31 March 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the three months ended 31 March	
		2019	2018
	Notes	RMB'000	RMB'000
Turnover	4	16,344	15,051
Cost of services		(3,893)	(3,915)
Gross profit		12,451	11,136
Other income		14	26
Administrative expenses	5	(4,100)	(4,196)
Profit from operations		8,365	6,967
Finance cost		(24)	(9)
Out-of-business income		8	
Out-of-business expenses			
Profit before income tax		8,349	6,958
Income tax	7	(1,230)	(1,044)
Profit for the period		7,119	5,914
Attributable to:			
- Owners of the Company		7,119	5,914
- Non-controlling interests		-	-
		7,119	5,914
Earnings per share (RMB cents)	6		
- basic and diluted		0.72	0.60

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share-based		Special reserve	Capital reserve	Statutory reserve	Statutory	Accumulated loss	Non-	Total
	Share capital	payment reserve				enterprise expansion fund		controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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>
At 1 January									
2019	88,673	3,920	6,039	6,231	9,620	6,986	(92,281)	-	29,188
Profit for the period	-	-	-	-	-	-	7,119	-	7,119
At 31 March									
2019	<u>88,673</u>	<u>3,920</u>	<u>6,039</u>	<u>6,231</u>	<u>9,620</u>	<u>6,986</u>	<u>(85,162)</u>	<u>-</u>	<u>36,307</u>

NOTES TO THE FINANCIAL STATEMENTS

1. General

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. The address of its registered office is 4th Floor, PO Box 2804, Scotia Centre, George Town, Grand Cayman, Cayman Islands and its principal place of business is 2/F UCOMMUNE, FANGYUAN Mansion, No.56 of ZHONGGUANCUN South Avenue, Haidian District, Beijing, the People's Republic of China (the "PRC"). 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.

2. Adoption of new and revised international financial reporting standards

In the current year, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies, presentation of the Company's financial statements and amounts reported for the current year and prior years except as stated below.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. Accounting policies and basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and 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") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except when otherwise indicated. RMB is the functional currency of the Company and the Company's subsidiaries established

in the PRC.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

4. Revenue

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:

	Unaudited	
	For the three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
Turnover		
Provision of post launch market research, medical and medical market services (the "PM services")	15,392	13,164
Provision of contracted pharmaceutical development services (the "PD services")	660	-
Other medical services	292	1,887
	<hr/>	<hr/>
Total	16,344	15,051
	<hr/> <hr/>	<hr/> <hr/>

The turnover for the Period increases 8.59% compared with the corresponding period of 2018. There was no Connected Transaction for the Period.

5. Administrative expenses

	Unaudited	
	For the three months ended 31 March	
	2019	2018
	RMB' 000	RMB' 000
Administrative expense	4,100	4,196
	<hr/>	<hr/>

Administrative expenses decreased 2.29% compared with the corresponding period of 2018.

6. Earnings per share

Basic earnings per share is calculated by dividing the unaudited net profit approximately RMB7,119,000 (2018: RMB5,914,000) attributable to owners of the Company by the weighted average number of 992,771,660 ordinary shares of the Company for the Quarter (2018: 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 2019 and 2018 in respect of a dilution of the outstanding share options which had an anti-dilutive effect on the basic earnings per share.

7. Income tax

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits for the Period (2018: Nil).

Provision for PRC Enterprise Income Tax for the Company and its subsidiaries is calculated based on the Enterprise Income Tax Law of the People's Republic of China ("EIT Law of the PRC"). The applicable income tax rate is ranging from 9% to 25% as at 31 March 2019 (the Last Year Period: 15%-25%). During the Period, some subsidiaries of the Company are eligible for tax incentives due to their location and industry. These subsidiaries are subject to a preferential tax rate of 9%.

Taxation of other overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant countries.

	Unaudited	
	For the three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
PRC income tax		
- current period	<u>1,230</u>	<u>1,044</u>

8. Dividends

The Board does not recommend the payment of any dividend for the period ended 31 March 2019 (for the period ended 31 March 2018: Nil).

9 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 4 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group achieved a turnover of RMB16,344,000 during the three months ended 31 March 2019, representing an increase of 8.59% compared with that in the corresponding period of last year.

The consolidated turnover included RMB15,392,000 derived from the post marketing surveillance, real-world study, medical science events and medical market services (PMS), amounted to 94.17% of the total revenue; revenue from provision of contracted pharmaceutical development services (PDS) are about RMB 660,000, accounting for 4.04% of total revenue. There was no Connected Transaction for the Period.

PROSPECTS

We are looking forward to the approval of the continuing related party transactions after 2019, which will have a significant positive impact on the Group's revenue and profits.

With the change of business model of Chinese pharmaceutical enterprises, China Health Group has assumed the responsibility of replacing traditional CSO model with CRO and CSO model combination. The Group has continuously invested in enhancing its market promotion ability and expanding its market network. It has launched a value-added business model in the local market, focusing on treatment products in the whole value chain, with China Health Group and its sub-brands XiEnWanquan, Baimin Wanquan, Jianshou Wanquan and Yuejie Yan. 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 dividends for the period (2018:Nil).

COMMITMENTS

As at 31 March 2019, our Group had no operating lease commitment as a lessee and capital commitments (31 December 2018: Nil).

SIGNIFICANT INVESTMENTS

Nil.

CONTINGENT LIABILITIES

As of 31 March 2019, the Group did not have any contingent liabilities (31 December 2018: Nil)..

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 nine months ended 31 March 2019.

COMPETING INTERESTS

As of 31 March 2019, 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 2019, 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 interested (other than under equity derivatives)	shares in which interested under physically settled equity derivatives (Note 4)		
William Xia GUO	Personal	Beneficial owner	112,035,941	10,974,000	123,009,941	12.39
William Xia GUO	Corporate	Interest of a controlled Corporation (Note 1)	348,068,873		348,068,873	35.06
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	924,500	1,636,000	2,560,500	0.26
Mr. Michael SU	Personal	Beneficial owner		220,000	220,000	0.02
Mark Gavin LOTTER	Personal	Beneficial owner		100,000	100,000	0.01
Bin Hui NI	Personal	Beneficial owner		100,000	100,000	0.01
Ling ZHEN	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.

Note3: 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.

Save as disclosed above, the Company has not been notified of any interests or short positions of the Directors and chief executive 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 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 at 31 March 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2019, 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.

Ordinary shares of the Company

Name	Capacity	Number of shares	Approximate percentage of interest
Winsland Agents Limited (Note 1)	Beneficial owner	348,068,873	35.06
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 (Notes 1, 2, 3,4)	Beneficial owner and interest of controlled corporations	712,426,578	71.76

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 2019 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, the arrangement of appropriate insurance cover in respect of legal action against its directors and the specific term of appointment of the non-executive Director.

(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 2019 to 31 March 2019.

(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 officer 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 2019, 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
China Health Group Inc
William Xia GUO
Chairman

Hong Kong, 4 June 2019

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

Executive Directors:

William Xia GUO

Maria Xuemei SONG

Non-Executive Directors:

Micheal SU

Independent Non-Executive Directors:

Rui QIU

Mark Gavin LOTTER

Bin Hui NI

Ling ZHEN