



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 2020

FOR THE THREE MONTHS ENDED 31 MARCH 2020

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to investors only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, 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. (“CHG” or the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, 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; and (2) there are no other matters the omission of which would make any statement herein or this report misleading.



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The board of Directors (the “Board”) announces the unaudited first quarterly report of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2020 (the “Period”), together with the comparative figures.

HIGHLIGHTS

1. The Group achieved a turnover of RMB21,571,000 for the Period, representing an increase of 31.98% compared with the corresponding period of 2019.
2. The Group achieved profit before taxation of RMB12,027,000 for the Period, representing an increase of 44.04% compared with the corresponding period of 2019.
3. Basic and diluted earnings per share are RMB1.06 cents for the Period, representing an increase of 48.5% compared with the corresponding period of 2019.
4. The Board does not recommend the payment of any dividends for the Period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the three months ended 31 March	
		2020	2019
	Notes	RMB'000	RMB'000
Turnover	4	21,571	16,344
Cost of services		(5,145)	(3,893)
Gross profit		16,426	12,451
Other income		19	14
Administrative expenses	5	(4,400)	(4,100)
Profit from operations		12,045	8,365
Finance cost		(18)	(24)
Out-of-business income		-	8
Out-of-business expenses		-	-
Profit before income tax		12,027	8,349
Income tax	7	(1,454)	(1,230)
Profit for the period		10,573	7,119
Attributable to:			
- Owners of the Company		10,573	7,119
- Non-controlling interests		-	-
		10,573	7,119
Earnings per share (RMB cents)	6		
- basic and diluted		1.06	0.72

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share-based		Special	Capital	Statutory	Statutory	Accumulated	Non-	Total
	Share	payment				enterprise			
	capital	reserve	reserve	reserve	reserve	expansion	loss	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	88,673	3,920	6,039	6,231	9,620	6,986	(85,162)	-	36,307
At 1 January									
2020	88,673	2,894	6,039	6,231	12,738	6,986	(66,581)	-	56,980
Profit for the period	-	-	-	-	-	-	10,573	-	10,573
At 31 March									
2020	88,673	2,894	6,039	6,231	12,738	6,986	(56,008)	-	67,553

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 Boda Building, 28 Beiqing Road, Life Science Park, Zhongguancun, Changping District, Beijing, China. 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	
	2020	2019
	RMB'000	RMB'000
Turnover		
Provision of post launch market research, medical and medical market services (the "PM services")	21,571	15,392
Provision of contracted pharmaceutical development services (the "PD services")	0	660
Other medical services	0	292
	<hr/>	<hr/>
Total	21,571	16,344
	<hr/> <hr/>	<hr/> <hr/>

The turnover for the Period increases 31.98% compared with the corresponding period of 2019. Moreover, the revenue of related parties transactions was about RMB6,859,200 for the Period, account for the 30% of the total revenue.

5. Administrative expenses

	Unaudited	
	For the three months ended 31 March	
	2020	2019
	RMB' 000	RMB' 000
Administrative expense	4,400	4,100
	<hr/> <hr/>	<hr/> <hr/>

Administrative expenses increased 7.33% compared with the corresponding period of 2019.

6. Earnings per share

Basic earnings per share is calculated by dividing the unaudited net profit approximately RMB10,573,000 (2019: RMB7,119,000) attributable to owners of the Company by the weighted average number of 992,771,660 ordinary shares of the Company for the Quarter (2019: 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 2020 and 2019 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 (2019: 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 2020 (the Last Year Period: 9%-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	
	2020	2019
	RMB'000	RMB'000
PRC income tax	1,45	
- current period	<u>4</u>	<u>1,230</u>

8. Dividends

The Board does not recommend the payment of any dividend for the three months ended 31 March 2020 (for the three months ended 31 March 2019: Nil).

9 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 14 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSSINESS REVIEW

In terms of scientific research services, the group's "RWS Wanquan center" is to re-screen and group existing drugs through real clinical research of big data to find the best treatment. The group established a biological sample testing laboratory, equipped with Waters UPLC-MS/MS.xevo TQS, which is officially open to the public. The laboratory mainly serves clinical research, especially the clinical research experiment of antiviral drugs.

The Company proposes two models in the epidemic situation and the new era of medical treatment. 1. "Research based treatment RWS therapy model" is to carry out clinical and big data research on Five specialty clinical through real world clinical research, guide drug treatment in the research, and obtain medical big data guidance research in the treatment. 2. The D-CRCO model (Digital-Clinical Research Commercialization Organization) is a digital clinical research promotion platform. It uses big data clinical research to precisely enable the commercialization of products. These two models will redefine research-based treatment and research-based promotion to replace traditional treatment and commercialization.

In terms of big data medical services, we have established research digital special area medical diagnosis with many top medical institutions in Beijing, Shanghai, Guangzhou and other places, as well as the top 100 chain and digital medical groups such as Gaoji medical, haiwangxingchen, micro medical group and miao Zhou medical group, such as yuequit smoking research and treatment specialty, Hein psychological research and treatment specialty, baimin fever and cough research and treatment specialty, disease resistance and treatment specialty Poison research and treatment areas will play an important role in the epidemic and post epidemic era.

Around the core treatment field, we have built a digital medical terminal service complex under the Internet architecture, forming a closed-loop system from scientific research to rehabilitation. 1. From hospital big data clinical research to digital scientific research product promotion service, 2. To jointly build digital research clinical research specialty, 3. To self-supporting O2O special specialty medical diagnosis, 4. To explore rehabilitation medical and tourism medical services.

FINANCIAL REVIEW

The Group achieved a turnover of RMB21,571,000 during the Period, representing an increase of 31.98% compared with that in the corresponding period of last year. The consolidated turnover included RMB21,571,000 derived from the post marketing surveillance, real-world study, medical science events and medical market services (PMS), amounted to 100% of the total revenue; revenue of related parties transactions was about RMB6,859,200, accounted for approximately 30% of the total revenue for the Period.

The Group achieved profit before taxation of RMB12,027,000 for the Period, representing an increase of 44.04% compared with the corresponding period of 2019.

PROSPECTS

With the change of business model of Chinese pharmaceutical enterprises, CHG 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 CHG 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 (2019: Nil).

COMMITMENTS

As at 31 March 2020, our Group had no operating lease commitment as a lessee and capital commitments (31 December 2019: Nil).

SIGNIFICANT INVESTMENTS

Save as disclosed in this report, there was no significant investment during the Period (31 December 2019: Nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any contingent liabilities (31 December 2019: 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, 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 Period.

COMPETING INTERESTS

As at 31 March 2020, 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 2020, the interests and short positions of the 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 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 of Directors	Capacity/ Nature of interests	Number of ordinary shares held/ interested	Number of underlying shares held/ interested pursuant to share options	Total number of shares	Approximate percentage of the total number of issued shares of the Company
GUO Xia	Beneficial Owner	114,701,941	9,150,000 (note 1)	123,851,941	12.48%
	Interest in a controlled corporation	590,716,637 (note 2)	-	590,716,637	59.50%
SONG Xuemei	Beneficial owner	436,500	500,000 (note 1)	936,500	0.09%
SU Yi	Beneficial owner	-	220,000 (note 1)	220,000	0.02%
NI Binhui	Beneficial owner	-	100,000 (note 1)	100,000	0.01%

Notes:

1. These share options were granted by the Company on 30 June 2015 under the share option scheme approved and adopted by the Company on 30 June 2015. The options may not be exercised within one year from 30 June 2015. The options will vest (i) to the extent of a maximum of 40% of the offered shares on 30 June 2016; (ii) to the extent of a maximum of 70% of the offered shares on 30 June 2017; and (iii) to extent of all offered shares on 30 June 2018. The exercise price of the options is HK\$0.45 per Share.
2. According to information available to the Company, 349,368,873 Shares were beneficially owned by Winsland Agents Limited, a company wholly owned by Mr. GUO Xia. 91,915,181 Shares were beneficially owned by Bright Excel Assets Limited, a company wholly owned by Venturepharm Holdings Inc., approximately 49.00% of its shares were held Winsland Agents Limited and approximately 47.63% were held by Mr. GUO Xia. 149,432,583 Shares were beneficially owned by Venturepharm Holdings Inc. As such, Mr. GUO Xia is deemed to be interested in the above companies under the SFO.

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 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 as at 31 March 2020.

SUBSTANTIAL SHAREHOLDERS INTERESTS OR SHORT POSITION 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 2020, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's total number of issued shares.

Name of Shareholders	Capacity/ Nature of interests	Number of ordinary shares held/ interested	Approximate percentage of the total number of issued shares of the Company
Winsland Agents Limited	Beneficial Owner	349,368,873	35.19%
	Interest in a controlled corporation	241,347,764 (note)	24.31%
Bright Excel Assets Limited	Beneficial owner	91,915,181	9.26%
Venturepharm Holdings Inc.	Beneficial owner	149,432,583	15.05%
	Interest in a controlled corporation	91,915,181 (note)	9.26%

Note: According to information available to the Company, 91,915,181 Shares were beneficially owned by Bright Excel Assets Limited, a company wholly owned by Venturepharm Holdings Inc., approximately 49.00% of its shares were held Winsland Agents Limited and approximately 47.63% were held by Mr. GUO Xia. As such, Winsland Agents Limited and Venturepharm Holdings Inc. are deemed to be interested in the Shares owned by Bright Excel Assets Limited under the SFO, and Winsland Agents Limited is deemed to be interested in the Shares owned by Venturepharm Holdings Inc. under the SFO.

Save as disclosed above, as at 31 March 2020, 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

Corporate governance practices

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the Period, with the exception for the following deviation:

Under code provision A.2.1, the responsibilities between chairman and chief executive officer should be separated. 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.

Directors' securities transactions

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the Period.

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, namely Mr. QIU Rui, Dr. NI Binhui and Mr. ZHEN Ling. Mr. QIU Rui is the chairman of the Audit Committee. The unaudited consolidated results of the Group for the Period had been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained a sufficient public float.

By order of the Board
China Health Group Inc.
GUO Xia
Chairman

Hong Kong, 14 May 2020

As at the date hereof, the Board comprises two executive Directors, being Mr. GUO Xia and Dr. SONG Xuemei; one non-executive Director, being Mr. SU Yi; and three independent non-executive Directors, being Mr. QIU Rui, Dr. NI Binhui and Mr. ZHEN Ling.