China Health Group Inc.

中國醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8225)

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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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 investors should be aware of the potential risks 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 announcement, for which the directors (the "Directors") of China Health Group Inc. (the "Company") collectively and individually accept full 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 China Health Group Inc. and its subsidiaries ("the Group"). The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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 China Health Group Inc. (the “**Company**”) announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013 as follows:

Highlight

1. The Group recorded total consolidated turnover of RMB5,956,000 for the year ended 31 December 2014, which represents approximately 60% decline from RMB14,931,000 in year 2013.

2. The Group recorded total profit before taxation of RMB44,117,000 for the year ended December 2014, as compared with total loss before taxation of RMB30,966,000 in year 2013.

3. After deducting an exceptional income of RMB52,897,000 from the restructuring of the 2007 Convertible Notes, the Group still recorded total loss before taxation of RMB8,780,000 from operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	Year ended 31 December **2014** **RMB'000**	 2013 RMB'000
Revenue	2	**5,956**	14,931
Cost of sales		**(1,415)**	(9,910)
Gross profit		**4,541**	5,021
Other income	3	**1,511**	2,633
Administrative expenses	5	**(12,737)**	(20,900)
Impairment loss on work-in-progress	8	**(1,640)**	(10,202)
Loss on revaluation of convertible notes	12	**-**	(3,943)
Loss on revaluation of derivative financial liabilities		**(307)**	-
Gain on disposal of financial assets at fair value through profit or loss, net	11	**16**	184
Gain on waiver of convertible notes and interests		**52,897**	-
Finance costs – net	4	**(164)**	(3,759)
Profit/(loss) before income tax		**44,117**	(30,966)
Income tax	6	**(32)**	(53)
Total comprehensive income for the year		**44,085**	(31,019)
Attributable to:			
Owners of the Company		**44,117**	(31,028)
Non-controlling interests		**(32)**	9
		44,085	(31,019)
Earnings per share			
-Basic earnings per share	7(a)	**11.57 cents**	(8.50)cents
-Diluted earnings/(loss) per share	7(b)	**9.62 cents**	(8.50)cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**6,010**	7,281
New drugs technology		**-**	-
		6,010	7,281
Current assets			
Work-in-progress	8	**5,502**	4,747
Trade and note receivables	9	**50**	1,317
Prepayments and other receivables	10	**500**	1,465
Financial assets at fair value through profit or loss	11	**-**	816
Cash and cash equivalents		**3,878**	2,596
		9,930	10,941
Total assets		**15,940**	18,222
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary shares		**81,699**	38,681
Reserves		**(119,355)**	(163,472)
		(37,656)	(124,791)
Non-controlling interests		**134**	166
Capital deficiency		**(37,522)**	(124,625)
LIABILITIES			
Non-current liabilities			
Convertible notes	12	**4,844**	-
Derivative financial liabilities		**1,623**	-
		6,467	-
Current liabilities			
Other payables and accruals	14	**19,284**	22,579
Convertible notes	12	**-**	95,479
Receipts in advance		**25,687**	21,744
Bank borrowing	13	**2,000**	3,000
Income tax liabilities		**24**	45
		46,995	142,847
Total liabilities		**53,462**	142,847
Total equity and liabilities		**15,940**	18,222
Net current liabilities		**(37,065)**	(131,906)
Total assets less current liabilities		**(31,055)**	(124,625)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital RMB'000	Share-based payment reserve RMB'000	Special reserve RMB'000	Capital Reserve RMB'000	Statutory reserve RMB'000	Statutory enterprise expansion fund RMB'000	Accumulated Loss RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance as at 1 January 2013	**38,536**	**4,285**	**6,039**	**1,818**	**3,821**	**6,986**	**(155,829)**	**(94,344)**	**157**	**(94,187)**
Comprehensive income										
Loss for the year	–	–	–	–	–	–	(31,028)	(31,028)	9	(31,019)
Total comprehensive income	–	–	–	–	–	–	(31,028)	(31,028)	9	(31,019)
Total contribution by and distribution to owners of the Company recognized in equity directly										
Exercise of share option	145	–	–	436	–	–	–	581	–	581
Total transactions with owners	145	–	–	436	–	–	–	581	–	581
Balance as at 31 December 2013 and 1 January 2014	**38,681**	**4,285**	**6,039**	**2,254**	**3,821**	**6,986**	**(186,857)**	**(124,791)**	**166**	**(124,625)**
Comprehensive income										
Profit for the year	–	–	–	–	–	–	**44,117**	**44,117**	**(32)**	**44,085**
Total comprehensive income	–		–	–	–	–	**44,117**	**44,117**	**(32)**	**44,085**
Total contribution by and distribution to owners of the Company recognized in equity directly										
Rights issue	**43,018**	–	–	–	–	–	–	**43,018**	–	**43,018**
Total transactions with owners	**43,018**	–	–	–	–	–	–	**43,018**	–	**43,018**
Balance as at 31 December 2014	**81,699**	**4,285**	**6,039**	**2,254**	**3,821**	**6,986**	**(142,740)**	**(37,656)**	**134**	**(37,522)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Li mited (the "GEM Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention as modified by financial assets at fair value through profit or loss and convertible notes that are stated at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 of the audit report.

1.1.1 Going concern

The Group generated profit attributable to owners of approximately RMB 44,117,000 for the year ended 31 December 2014 (2013: Loss of approximately RMB 31,028,000) and as of that date, the Group had net current liabilities of approximately RMB37,065,000 (2013: RMB131,906,000) and capital deficiency of approximately RMB37,522,000 (2013: RMB124,625,000).

The directors of the Company believe that the Group will generate positive cash flows in next twelve months by receiving cash from new contracts and enforcing stringent cost measures.

Taking into accounts the above factors, the directors believe that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, and accordingly, have prepared the consolidated financial statements on a going concern basis.

1.1.2 Impact of new and amended standards

(a) New and amended standards adopted by the Group

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and amended standards not yet adopted by the Group.

The Group has not early applied the following new and revised HKFRSs that have been issued but are yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2013-2014 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

1.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2014.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ("its subsidiaries"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting right that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assess existence of control when it does not have more than 50% of voting right but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group ceases control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to statement of comprehensive income or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.3 Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in statement of comprehensive income in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi "RMB") using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to statement of comprehensive income.

1.4 Revenue recognition

i. Revenues from the transfer of new drug developed and formulation data are recognised upon transfer of risks and rewards of ownership, which generally coincides with the time when the compound and data are delivered to customers.

ii. Revenues from contracted research and development, pharmaceutical application, registration and testing services are recognised to the extent of the milestone payments earned in accordance with the applicable performance requirements and contractual terms and, where appropriate, as the related costs are incurred. Payments received that are related to future performance are deferred and recorded as revenues as they are earned over the specified future performance periods.

iii. Subject to the terms as stated in the technology transfer agreements and the buyers' success in commercialisation of the products to which the technology transferred is applied, the Group may receive additional royalty income or profit sharing income in the future. Should there be any royalty income or sharing of profit, they will be recognised when the right to receive the income is established.

iv. Service income is recognised when services are rendered.

v. Royalty income on drugs produced by third parties using the Group's technical know-how is recognised when the right to receive is established.

vi. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

vii. Dividend income is recognised when the right to receive payment is established.

1.5 Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

1.7 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in statement of comprehensive income in the period in which they become receivable.

1.8 Employee benefits

Pension obligations

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

1.9 Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to capital reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share-based payment reserve.

1.10 Taxation

Income tax expense represents the sum of the current and deferred tax.

Current tax is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period multiplied by the taxable profit. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in statement of comprehensive income, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1.11 Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives of the property, plant and equipment are as follows:

Leasehold improvements	5 years
Machinery and equipment	5 – 10 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of comprehensive income.

1.12 Work-in-progress

Work-in-progress is stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of development including costs that have been incurred for the provision of pharmaceutical application, registration and testing services, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Where the outcome of a pharmaceutical development and clinical research contract or service can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the total contract costs or the proportion that contract revenue billed or recognised for work performed to date bear to the total contract sums, whichever is the lower, except where this would not be representative of the stage of completion.

Where the outcome of a contract or service cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable that they will be recoverable.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.13 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in statement of comprehensive income.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in statement of comprehensive income in the period in which they arise. The net gain or loss recognised in statement of comprehensive income excludes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 3 of the audit report.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 15 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in statement of comprehensive income. When trade receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in statement of comprehensive income in the period in which they arise. The net gain or loss recognised in statement of comprehensive income excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including other payables and accruals and short term loan are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits/(accumulated losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount. Transaction costs are included in the calculation of the effective interest rate and amortised over the expected life of the convertible notes.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in statement of comprehensive income. Accumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of comprehensive income.

When an existing financial liability is replaced by another from the same lender, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, the difference between the respective carrying amounts is recognised in the profit or loss, only if terms are substantially different, or the terms of an existing liability are substantially modified.

1.14 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

1.15 Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.16 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of existing from the contract, which is the lower of the cost fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.17 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. Revenue and segment information

Breakdown of the revenue from all services is as follows:

	2014	2013
	RMB'000	RMB'000
Analysis of revenue by category:		
Contracted clinical research services (VPS)	**5,579**	13,958
Other medical services	**377**	973
Total	**5,956**	14,931

In the view of management, the Group only has one segment.

Other medical services included registration, application and testing services.

All revenue derived in the PRC for both years

Information about major customers is as follows:

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2014	2013
	RMB'000	RMB'000
Customer D	-	2,620
Customer E	-	2,392

Customer F	-	2,240
Customer G	**1,018**	-
Customer H	**1,000**	-

3. Other income

	2014	2013
	RMB'000	RMB'000
Government subsidies	**108**	388
Dividends income	**13**	33
Compensation income	**94**	55
Reversal of impairment loss on other receivables	**672**	69
Reversal of impairment loss on trade receivables	**130**	-
Over provision of legal compensation in prior years	**312**	650
Others	**182**	1,438
Total	**1,511**	2,633

During the year, the Group received approximately RMB108,000 (2013: approximately RMB388,000) government subsidies towards the research and development projects.

4. Finance costs—Net

	2014	2013
	RMB'000	RMB'000
Finance costs:		
– Interest on bank loan wholly repayable within five years	**148**	157
– Effective/imputed interest on convertible notes	**14**	4,108
– Others	**8**	69
	170	4,334
Less: finance income:		
– Exchange gains	**-**	(567)
– Interest income	**(6)**	(8)
	(6)	(575)
Finance costs – net	**164**	3,759

5. Expenses by nature

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2014	2013
	RMB'000	RMB'000
Depreciation	**1,154**	1,790
Auditor's remuneration	**511**	599
Employee benefit expenses	**4,770**	5,220
Compensation	**2,536**	4,373
Operating lease payment	**392**	1,022
Fair value loss on financial assets at fair value through profit or loss	**-**	200
Loss on written off /disposal of property, plant and equipment	**117**	546
Impairment loss on trade receivables	**1066**	-
Written off of other receivables	**40**	-
Impairment loss on other receivables	**194**	1,933

6. Income tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2013: 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 31 December 2014 (2013: 15-25%). During the year, 北京德眾萬全藥物技術開發有限公司, 北京萬全陽光醫藥科技有限公司, 北京萬全陽光醫學技術有限公司, 北京德眾萬全醫藥科技有限公司 and 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%.

The amount of taxation charged to the consolidated statement of comprehensive income represents:

	2014	2013
	RMB'000	RMB'000
PRC enterprise income tax		
– current year	**32**	53
Total	**32**	53

The tax on the Group's profit/ (loss) before tax differs from the theoretical amount that would arise using PRC Enterprise Income Tax rate as follows:

	2014	2013
	RMB'000	RMB'000
Profit/(loss) before tax	**44,117**	(30,966)
Calculated at tax rate of 25%	**11,029**	(7,741)
Tax effect of tax loss not recognised	**2,450**	4,754
Utilisation of tax loss not recognised	**-**	(424)

Tax holiday	**(176)**	-
Revenue not taxable for taxation purpose	**(13,546)**	-
Tax effect of expenses not deductible for tax purpose	**275**	3,464
Income tax expense	**32**	53

7. Basic and diluted (loss)/earnings per share

a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit/(loss) attributable to owners of the Company (RMB'000)	**44,117**	(31,028)
Weighted average number of ordinary shares in issue (thousands)	**381,154**	364,665
Basic earnings/(loss) per share (RMB cents per share)	**11.57**	(8.50)

(b) Diluted (loss)/earnings per share

The calculation of the diluted earnings/(loss) per share for the year is based on the profit/(loss) attributable to ordinary equity shareholders and adjusted to eliminate the interest expense less the tax effect. The weighted average number of approximately 458,654,000(2013: approximately 450,731,000) ordinary shares after adjusting 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/or the conversion of convertible notes as detailed below of approximately 77,500,000 (2013: approximately 86,066,000) shares, calculated as follows:

	2014	2013
	RMB'000	RMB'000
Profit/(loss) attributable to owners of the Company	**44,117**	(31,028)
Interest expense on convertible notes, net of tax	**14**	4,108
Profit/(loss) used to determine diluted earnings per share	**44,131**	(26,920)
Weighted average number of ordinary shares in issue (thousands)	**381,154**	364,665
Adjustment for:		
– Effect of deemed issue of ordinary shares under the Company's Share Option Schemes and/or the conversion of convertible notes (thousands)	**77,500**	86,066
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**458,654**	450,731

No diluted loss per share for the years ended 31 December 2013 is presented as the assumed conversion of convertible notes would result in an increase/decrease in loss per share respectively.

The computation of diluted earnings/(loss) per share does not assume the exercise of the Company options because the exercise prices of those option was higher than the average market price for shares for both 2014 and 2013.

8. Work-in-progress—Group

	2014	2013
	RMB'000	RMB'000
Work-in-progress		
– Cost	**95,871**	93,476
– provision for impairment of work-in-progress	**(90,369)**	(88,729)
Work-in-progress-net	**5,502**	4,747

The movement in the impairment of work-in-progress is as follows:

	Contracted	**Non-contracted**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January 2013	37,978	40,549	78,527
Provision for impairment loss recognised for the year	9,522	680	10,202
At 31 December 2013 and 1 January 2014	47,500	41,229	88,729
Provision for impairment loss recognised for the year	1,640	-	1,640
At 31 December 2014	**49,140**	**41,229**	**90,369**

The impairment for contracted work-in-progress was due to the exceeding of total contract cost over the total contract value while the impairment for non-contracted work-in-progress was due to the suspension of non-contracted PDS projects.

9. Trade and note receivables-Group

	2014	2013
	RMB'000	RMB'000
Trade receivables	**1,293**	5,643
Less: provision for impairment of trade receivables	**(1,243)**	(4,366)
Note receivables	**-**	40
Trade receivables and note – net	**50**	1,317

Ageing analysis of trade receivables, as at 31 December, 2014 and 2013, based on sales invoice date and net of impairment, are as follows:

	2014	2013

	RMB'000	RMB'000
1-30 days	**-**	40
31 - 60 days	**-**	-
61-90 days	**50**	-
91-180 days	**-**	-
Over 180 days	**-**	1,237
Total	**50**	1,277

The Group allows a credit period of about 15 days to its customers.

The carrying amount of trade receivables is considered as reasonable approximation to their fair value. Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade receivable is impaired. All of the Group's trade receivables have been reviewed for indicators of impairment.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Ageing analysis of trade receivables not impaired is as follows:

	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**-**	40
1-30 days past due	**-**	-
31 -60 days past due	**-**	-
61-90 days past due	**50**	-
91-180 days past due	**-**	-
Over 180 days past due but less than one year	**-**	275
Over one year past due but less than two years	**-**	962
	50	1,237
Total	**50**	1,277

As at 31 December 2014, trade receivables of approximately RMB50,000 (2013: approximately RMB1,237,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. These customers have a good track record with the Group. Based on past experience, the management believes that no impairment is provided in respect of these balances as there have no significant changes in the credit quality of these customers and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

As of 31 December 2014, trade receivables of approximately RMB 1,066,000 (2013: Nil) were impaired and provided for. The amount of the provision was approximately RMB1,243,000 as at 31 December 2014 (2013: approximately RMB4,366,000). The individually impaired receivables mainly related to customers, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected not to be recovered.

Movement on the Group's provision for impairment of trade receivables are as follows:

	2014	2013
	RMB'000	RMB'000
At 1 January	**4,366**	4,366
Provision for impairment during the year	**1,066**	-
Trade receivables written off during the year	**(4,059)**	-
Reversal of impairment loss of trade receivable	**(130)**	-
At 31 December	**1,243**	4,366

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

10. Prepayments and other receivables-Group

The prepayments and other receivables are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Prepayments	**30**	259
Deposits	**25**	564
Other receivables	**4,121**	4,796
	4,176	5,619
Less: provision for impairment	**(3,676)**	(4,154)
Total	**500**	1,465

The movement in the impairment of other receivables, deposits and prepayments is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**4,154**	2,730
Reversal of impairment	**(672)**	(69)
Written off	**-**	(440)
Provision for impairment loss recognised for the year	**194**	1,933
At 31 December	**3,676**	4,154

	Group	
	2014	2013
	RMB'000	RMB'000
Related parties (a)	**-**	32
Third parties	**500**	1,433
Total	**500**	1,465

The carrying amounts of prepayments and other receivables approximate their fair values.

(a) The amounts due are unsecured, non-interest bearing and without fixed repayment term.

11. Financial assets at fair value through profit or loss-Group

	Group	
	2014	2013
	RMB'000	RMB'000
Foreign currency note fund	**-**	816
Total	**-**	816

Financial assets at fair value through profit or loss are presented within "investing activities" in the consolidated statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other income" in the statement of comprehensive income.

The fair value of all financial assets at fair value through profit or loss is based on their current bid prices in an active market as at the end of reporting period.

Financial assets at fair value through profit or loss are denominated in US dollars.

Gain on disposal of financial assets through profit or loss:

	Group	
	2014	2013
	RMB'000	RMB'000
Gain on disposal of foreign currency note fund	**16**	184
Gain on disposal, net	**16**	184

Since then the Company had adopted more conservative investment policy and would only invest in foreign currency bond fund, the Company held financial assets at fair value through profit or loss of approximately RMB nil and RMB 816,000 as at 31 December 2014 and 2013 respectively which was all foreign currency bond fund.

12. Convertible notes-Group

The movement of the convertible notes are as follows:

			Group	
	Tranche 1	Tranche 2	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of the year	95,479	-	**95,479**	91,875
Loss on revaluation of convertible notes	-	-	**-**	3,943
Repayment during the year	(47,748)	-	**(47,748)**	-
Waiver of principal	(47,731)	-	**(47,731)**	-
Raised during the year	-	4,830	**4,830**	-
Effective interest charged	-	14	**14**	**-**
Exchange realignment	-	-	**-**	(339)
At end of the year	-	**4,844**	**4,844**	95,479

Tranche 1

On 10 September 2007, the Company issued notes of an aggregate principal amount of CHF15,000,000. Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible notes shall be redeemed at the redemption amount (110% of the principal amount outstanding of the convertible notes) on the date falling on the fifth anniversary of the date of issue of the convertible notes. The notes bear interest at the rate of 3.5% per annum and payable annually.

On 4 September 2012, an extraordinary resolution was passed by the majority of notes holders in accordance with the terms of the convertible notes to approve the extension of the convertible notes to 10 September 2015 with an increase in interest rate from 3.5% to 4% per annum. The extension of the convertible notes was also approved by the shareholders of the Company at the extraordinary general meeting held on 20 September 2012.

The conversion price shall be in Swiss Francs that will be equivalent to 130% of the average closing prices of the shares of the Company as published in the daily quotation sheets published by the Stock Exchange of Hong Kong Limited for 30 consecutive trading days up to and including the fifth business day prior to the closing date per share.

The noteholders will have the right to convert, at the conversion price, the whole of the principal amount of the convertible notes into shares at any time and from time to time, from the date of issue of the convertible notes.

On 29 July 2014, the Company had came into agreement with its convertible note holders. There was waiver of payable on convertible notes of RMB52,897,000 included waiver of principle of RMB47,731,000 and waiver of interest accrued of RMB5,166,000.

Tranche 2

On 24 December 2014, the Company issued new unlisted convertible notes with a face value of US$1,000,000 and a maturity date of 24 December 2016. The notes are unsecured, bear no interest and have a term of 2 years. The noteholder has right to convert the notes into ordinary shares at any time up to maturity at a conversion price of HK$0.1. The Company may at any time prior to the maturity date, repay the principal outstanding amount of the notes.

The convertible notes contain two components: derivative financial liabilities component, and liability component. The liability component is classified as non-current liabilities and carries at the calculation of the effective interest rate and amortised over the expected life of the convertible notes. The other is classified as derivative component.

The effective interest rate of the liability component on initial recognition is 12.822% per annum.

13. Short term bank borrowing

	Group	
	2014	2013
	RMB'000	RMB'000
Bank borrowing	**2,000**	3,000

A subsidiary of the Group established a short term bank borrowing with a Bank in Beijing with amount of RMB2,000,000. The borrowing bears interest at a variable rate based on the Bank's Prime Rate. The borrowing is secured by a personal guarantee of a director of the Group.

14. Other payables and accruals-Group and company

	Group	
	2014	2013
	RMB'000	RMB'000
Other payables	**17,745**	15,978
Accrued expenses(b)	**1,539**	6,601
Total	**19,284**	22,579
Related parties (a)	**2,987**	2,988
Third parties	**16,297**	19,591
Total	**19,284**	22,579

(a) The amounts due are unsecured, non-interest bearing and without fixed repayment term.

(b) Accrual expenses included provision made for legal expenses arise from dispute with customers and the Company's labours. In the year of 2014, there was a revised of legal compensation with an approximate amount of RMB 312,000 (2013: RMB 650,000) being accrued expenses overprovided in the past.

15. Dividend

No dividend has been proposed or paid by the Company in respect of the year ended 31 December 2014 (2013: Nil).

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter in relation to the going concern basis for preparation of consolidated financial statements

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that the Group had consolidated net current liabilities of approximately RMB37,065,000 and net liabilities of approximately RMB37,522,000 as at 31 December 2014. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on upon the future funding available, the intention of the Convertible Notes holders to convert the notes into Company shares and the attainment of profitable and positive cash flow operations of the Group to meet its future working capital and financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should there be no future funding available and the implementation of proposed measures to improve the Group's financial and cash flow position be unsuccessful.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded total profit before taxation of RMB44,117,000 for the year ended December 2014, as compared with total loss before taxation of RMB30,966,000 in year 2013. Net profit this year was primarily attributed to the exceptional income of RMB52,897,000 from the restructuring of the 2007 Convertible Notes. After deducting exceptional income of RMB52,897,000 from the restructuring of the 2007 Convertible Notes, the Group still recorded total loss of RMB8,780,000 from operations.

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The Group recorded total revenue of RMB5,956,000 for the year ended 31 December 2014, which represents approximately 60% decline from RMB14,931,000 in year 2013. The 2014 consolidated turnover included approximately RMB 5,579,000 derived from the contracted clinical research services (VPS) and approximately RMB337,000 from other medical services .In terms of revenue structure, the revenue of VPS amounted to 94% of the total revenue. As there was a significant change in the Chinese Government’s policies and regulations in new drug approval, especially the newly released GMP（Drug Good Manufacturing Practice） regulation which led to the increase in rigidity and cautiously in government approval and increased the timing, costs and risk in new drug development. The Group terminated quite a few unprofitable projects in 2014 and focused on more profitable projects, thus causing revenue to reduce significantly in 2014. Total consolidated gross profit was RMB4,541,000 as compared with RMB5,021,000 in 2013, yet gross profit margin increased to 76% from 34% in 2013 as a result of the above strategic shift.

Total consolidated general and administrative expenses were RMB 14,684,000 representing a reduction of 20,361,000 compared with RMB 35,045,000 of last year. The decrease was primarily due to the following reasons: Impairment on WIP was only RMB 1,640,000 in 2014 representing a decrease of 8,562,000 as compared with 2013; Research & development expenses decreased by approximately RMB 2,748,000; Impairment on Other Receivable reduced by approximately RMB1,739,000; Leasing expenses reduced by approximately RMB630,000; Compensation for terminated projects decreased by approximately RMB1,837,000.

CONVERTIBLE NOTES

On 10 September 2007, China Health Group Inc., issued notes of an aggregate principal amount of CHF15,000,000 (the “Notes”), which was expired in 9 September 2012. On 4 September 2012, the Noteholders passed a Resolution to extend the maturity date of the Notes to 10 September 2015 and to alter the coupon applicable in the extend. The nominal interest rate by the annual interest rate of 3.5% referred to 4%.

On 26 May 2014, the Company entered into a term sheet ("”Term Sheet") with certain holders of the Convertible Notes who hold the majority of the voting rights attached to the Convertible Notes (the "Majority Noteholders"). Pursuant to the terms of the Term Sheet, all parties have agreed to settle all claims and mutually release each other from any further liabilities or obligations under the Convertible Notes.

On 29 July 2014， a supplementary Settlement and Mutual Release Agreement ("Supplementary Agreement") was signed between the Majority Noteholders and the Company to settle the Notes for a negotiated settlement amount of USD7,800,000. On 18 September, an Extraordinary Resolution was passed by all Noteholders to rectify the authority of the Majority Noteholders to enter the above Term Sheet and the Supplementary Agreement, and to agree to the terms and conditions contained therein.

On 9 October 2014, the Company held an Extraordinary General Meeting (“EGM”) and a extraordinary resolution was passed to approve raising approximately HKD54,900,000 through a Rights Issue and another USD1 million through issuance of a new Convertible Note. The main purpose of the above fund raising events was to settle the 2007 Convertible Notes. On 29 December 2014, the Company effected payment and completed full settlement with the 2007 Noteholders.

On 24 December 2014, the Company issued new unlisted convertible notes with a face value of US$1,000,000 and a maturity date of 24 December 2016. The notes are unsecured, bear no interest and have a term of 2 years. The noteholder has right to convert the notes into ordinary shares at any time up to maturity at a conversion price of HK$0.1. The Company may at any time prior to the maturity date, repay the principal outstanding amount of the notes.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity and capital structure improved significantly during the year as a result of the completion of the Rights Issue of approximately HKD54,900,000.

As at 31 December 2014, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately RMB37,065,000 (2013: net current liabilities of approximately RMB131,906,000) and approximately RMB37,522,000 (2013: net liabilities of approximately RMB124,625,000) respectively.

Meanwhile, considering the working capital and long term fund demand for future development, the Group will consider to raise further funds through bank loans, issuance of new shares, convertible notes, and issuance of new debts, etc.

FOREIGN EXCHANGE EXPOSURE

During the year, 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.

BUSINESS REVIEW

Aiming at long-term development and based on its business transformation strategy of transforming from a leading technology transfer supplier to an enterprise integrating pharmaceutical development and products commercialization services, the Group continued to expand its product lines and accelerate the establishment of the marketing network so as to rapidly capture its market share.

The Group has managed to establish a comprehensive value-added business mode for whole value chains such as Clinical Research Service (VPS), regulatory affair (RA) service and post market service (PMS), thereby enhancing the long-term profitability and risk resistance capability of the Group.

SALES AND MARKETING

For the year ended 31 December 2014, the Group had signed 5 new contracts with contract value of approximately RMB 10,049,916 representing a increase of 98% compared to RMB 5,072,943 in 2013. Those contracts will generate revenue growth for the Group.

The Group continued its investment in the enhancement of marketing capability and the expansion of market network, and introduced new technologies in the domestic market under the brand of Venturepharm while striving to establish and expand overseas markets under the brand of VPS-CRO. During the year, the Group not only focused on business expansion, but also paid more attention to the enhancement of brand value and the improvement of professional capability, aiming at becoming a comprehensive and reliable technology and service provider with the most prestigious brand and leading technologies.

Clinical Research Service (VPS)

Taken clinical study as the prime focus, the Group has established the most integrated service in the country, which provides a series of services ranging from phase I clinical and bioequivalence studies, phase II-III clinical studies, and phase IV post-marketing clinical study, to data management and medical statistics, and medical administration related service. Meanwhile, the Group makes a great efforts to improve the professional capability involving the above mentioned services and has preliminarily established 13 professional research institutions including Venturepharm-CBI phase Ⅰ clinical research center, VPS-mart phase IV clinical research and academic promotion center, SAS-Venturepharm data management and medical statistics center, VP-Porsche RA service center, OHH-VP Pacific-Asia clinical research institution for oncology, TangXi-VP Pacific-Asia clinical research institution for Diabetes, CNSVP Psychoneurologic and pain management Pacific-Asia clinical research institution, CV-VP Cardiovascular Pacific-Asia clinical research center, AIDS and hepatitis Pacific-Asia clinical research institution, DermNova Pacific-Asia clinical research institution for dermatosis and gynecologic disease and TCM-VP clinical research center for natural drug and traditional Chinese medicine, etc.

In the meantime, the Group has built a nation-wide network with bases in Beijing, Shanghai and Guangzhou and offices in over 30 provincial capital cities for clinical monitoring and academic promotion, covering over 80% hospitals which have been authorized to conduct clinical research. The Group has the capacity of operating more than 60 phase I and BE projects each year and conducting 50 phase II-III clinical projects simultaneously. Meanwhile, the Group is able to carry out 4 phase IV clinical trials with large sample size (2,000 subjects) at the same period.

PROSPECTS

To capitalize on the opportunity of the increased demand of global R&D outsourcing market, the Group has made the best efforts to improve its service capacities and performance in R&D outsourcing services by providing fully integrated pharmaceutical services which Clinical Research Service (VPS), regulatory affair (RA) service 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 stimulate greatly to 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.

CAPITAL STRUCTURE

The Company has completed a Rights Issue in December 2014. Total shares issued have been increased by 549,162,996 shares to 915,271,660 shares.

SIGNIFICANT INVESTMENT

Nil.

EMPLOYEES

The Group's remuneration policy is basically determined by the performance of individual employees. In addition to salaries and bonuses, employee benefits included medical and pension contributions and share options schemes.

APPROPRIATION

The Directors do not recommend the payment of final dividend for the year ended 31 December 2014.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has reviewed and approved the consolidated financial statements for the year, including the accounting principles and new and revised accounting standards adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting.

SUBSTANTIAL SHAREHOLDERS

So far as it is known to any Directors, chief executives of the Company, as at 31 December 2014, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed pursuant to Division 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 were as follows:

Name	Capacity	Number of shares	Approximate percentage of interest

Winsland Agents Ltd (Note 1)	Beneficial owner	25,948,873	27.36
Venturepharm Holdings Inc. (Note 2)	Beneficial owner	149,432,583	16.33
Venturepharm Holdings Inc. (Note 3)	Interest of controlled corporation	91,915,181	10.04
Bright Excel Assets Limited (Note 3)	Beneficial owner	91,915,181	10.04
William Xia GUO (Notes 1, 2 , 3,4)	Beneficial owner and interest of controlled corporations	622,080,578	67.97

Long positions in shares and underlying shares of the Company

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

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 Agent 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 Ltd ,the interest of 80,008,000 shares which include 77,500,000 shares (through Winsland Agent Limited) and 2,508,000 shares underlying the options granted to him under the 2014 Convertible Notes and the Share Option Scheme respectively are beneficially owned by Mr. William Xia GUO.

Save as disclosed above, as at 31 December 2014, 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.

Subsequent to the financial year ended 31 December 2014, Winsland Agents Ltd has purchased from the secondary market a total of 24,480,000 shares in January 2015.

COMPETING INTERESTS

As at 31 December 2014, 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.

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 year ended 31 December 2014.

BOARD PRACTICE AND PROCEDURES

Since the listing of the Company, the Company has complied with Board Practices and Procedures as set out in Rules5.46 to 5.68 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

(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").

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Company Code for Securities Transactions by Directors of Listed Issuers incompliance 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 throughout the year ended 31 December 2014.

(3) BOARD OF DIRECTORS

The overall governance structure of the Company is set out below:

The Board

Chairman appointed by the board

2 Executive Directors

1 Non-Executive Director

3 Independent Non-Executive Directors

Nomination Committee	**Audit Committee**	**Remuneration Committee**	**Executive Directors**
4 members	4 members	4 members	
	Maria Xuemei SONG		William Xia GUO
William Xia GUO	WU Shou Yuan (Chairman)	William Xia GUO	
WU Shou Yuan	Paul CONTOMICHALOS (resigned on 21 January 2015)	WU Shou Yuan	
Mark Gavin Lotter (appointed on 17 February 2015)	Mark Gavin Lotter (appointed on 17 February 2015)	Mark Gavin Lotter (appointed on 17 February 2015)	Maria Xuemei SONG
Binhui Ni (appointed on 31 March 2015)	Binhui Ni (appointed on 31 March 2015)	Binhui Ni (appointed on 31 March 2015)	

Note：

(a) The Non-Executive Director of the Company during the year and up to the date of this report is:

Nathan Xin ZHANG

Li Jin Liang (resigned on 24 November 2014)

Feng Tao (resigned on 26 November 2014)

The Independent Non-Executive Directors of the Company during the year and up to the date of this report are:

WU Shou Yuan
Paul CONTOMICHALOS (resigned on 21 January 2015)
Zhang Jing An (resigned on 24 November 2014)
Mark Gavin Lotter (appointed on 17 February 2015)
Binhui Ni (appointed on 31 March 2015)

Note：
(a) The Non-Executive Director of the Company during the year and up to the date of this report is:
Nathan Xin ZHANG

The Independent Non-Executive Directors of the Company during the year and up to the date of this report are:
WU Shou Yuan
Paul CONTOMICHALOS (resigned on 21 January 2015)
Mark Gavin Lotter (appointed on 17 February 2015)
NI Bin Hui (appointed on 31 March 2015)

The Board of Directors ("Board") of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Board of the Company comprises a total of six Directors, with two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board is Independent Non-executive Directors and one of them has appropriate professional qualifications. Reviews are made regularly of the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All Independent Non-executive Directors meet the independence guidelines set out in GEM Rule 5.09 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of annual budgets and business plans; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. All Directors have been consulted about any matters proposed for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receives adequate and reliable information in a timely manner.

Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. Four regular Board meetings at approximately quarterly intervals have been scheduled for 2014.

The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. Board papers are circulated not less than seven days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Qualified Accountant shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information of the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Minutes of the board meetings are kept by the Company Secretary and are open for inspection by Directors.

During the twelve months ended 31 December 2014, the Board met and held six meetings in 2013. The attendance records of the aforementioned four Board meetings are set out below:

Attendance of individual directors at board meetings during the year

	Attendance no.	Attendance rate
Executive Director		
William Xia GUO	5/6	83.33%
Maria Xuemei SONG	6/6	100%
Non-executive Directors		
FENG Tao (Resigned on 26 Nov 2014）	1/6	16.67%
LI Jin Liang (Resigned on 24 Nov 2014)	2/6	33.33%
Nathan Xin ZHANG	3/6	50%
Independent Non-executive Directors		
WU Shou Yuan	6/6	100%
Paul CONTOMICHALOS (Resigned on 21 Jan 2015)	2/6	33.33%
ZHANG Jing An (Resigned on 24 Nov 2014)	0/6	0%

Subsequent to the financial year ended 31 December 2014, Mr. Mark Galvin Lotter was appointed as a new independent non-executive director on 17 February 2015, and Dr. Bin Hui Ni was appointed as a new independent non-executive director on 31 March 2015.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman of the Board is responsible for the leadership and effective running of the Board, and ensures that all keys and appropriate issues are discussed by the Board in a timely and constructive manner. Currently, the Company does not have Chief Executive Officer. The day-to-day management of the Company's business is handled by the executive directors, 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.

(5) REMUNERATION OF DIRECTORS

The Remuneration Committee comprises Independent Non-executive Directors Mr. Shouyuan Wu, Mr. Paul CONTOMICHALOS (resigned on 21 January 2015). Mr. Jing An Zhang was the third member of the Remuneration Committee and resigned on 24 November 2014.

Subsequent to the financial year ended 31 December 2014, Mr. William Xia Guo (executive director), Dr. Bin Hui Ni (independent non-executive director) and Mr. Mark Galvin Lotter (independent non-executive director) were appointed as members of the Remuneration Committee on 31 March 2015. Mr. Mark Galvin Lotter was elected Chairman of this Board Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

(6) NOMINATION OF DIRECTORS

The Nomination Committee comprises Independent Non-executive Directors Mr. Shouyuan Wu, Mr. Paul CONTOMICHALOS (resigned on 21 January 2015). Mr. Jing An Zhang was the third member of the Nomination Committee and resigned on 24 November 2014.

Subsequent to the financial year ended 31 December 2014, Mr. William Xia Guo (executive director), Dr. Bin Hui Ni (independent non-executive director) and Mr. Mark Galvin Lotter (independent non-executive director) were appointed as members of the Nomination Committee on 31 March 2015. Dr. Bin Hui Ni was elected Chairman of this Board Committee.

(7) AUDITORS' REMUNERATION

The coming annual general meeting should approve the re-appointment of UHY Vocation HK CPA Limited as the auditor of the Group and that the Board is and be hereby authorised to fix auditors' remuneration.

(8) 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 two members comprising the two Independent Non-executive Directors, Mr. Shou Yuan Wu and Mr. Paul CONTOMICHALOS (resigned on 21 January 2015) . Mr. Jing An Zhang was the third member of the Audit Committee and resigned on 24 November 2014. Mr. Shou Yuan WU is the chairman of the audit committee.

During the twelve months ended 31 December 2014, the audit committee held two meetings and reviewed the Group's annual report, quarterly and interim financial results. The attendance records of the aforementioned five audit committee meetings are set out below:

Attendance of member at audit committee meetings during the year

	Attendance no.	Attendance rate
Members		
WU Shou Yuan	2/2	100%
Paul CONTOMICHALOS (Resigned on 21 Jan 2015)	1/2	50%
ZHANG Jing An (Resigned on 24 Nov 2014)	0/2	0%

Subsequent to the financial year ended 31 December 2014, Mr. William Xia Guo (executive director), Dr. Bin Hui Ni (independent non-executive director) and Mr. Mark Galvin Lotter (independent non-executive director) were appointed as members of the Audit Committee on 31 March 2015. Mr. Shou Yuan Wu will continue to be chairman of this Board Committee.

(9) DIRECTORS' ACKNOWLEDGEMENT OF THEIR RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

As at the date of this announcement, the board of Directors comprises:

Executive directors:
Mr. William Xia GUO
Dr. Maria Xue Mei SONG

Non-executive Directors:
Dr. Nathan Xin ZHANG

Independent Non-executive Directors:
Mr. Shou Yuan Wu
Mr. Mark Galvin Lotter (Appointed on 17 February 2015)
Dr. Bin Hui Ni (Appointed on 31 March 2015）

By order of the Board
China Health Group Inc.

Chairman
William Xia GUO

31 March 2015, Beijing

This announcement will remain on the GEM website at http://www.hkgem.com "the Latest Company Announcements" page for at least 7 days from the day of its posting.