



CHINA HEALTH GROUP INC.

中國醫療集團有限公司

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

(Formerly known as “Venturepharm Laboratories Limited”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08225)

**INTERIM RESULTS 2016
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**for identification only*

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange.

Prospective investor should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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



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The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period of 2015.

HIGHLIGHTS

1. The Group achieved a turnover of about RMB 15,624,000 for the six months ended 30 June 2016, representing an increase of approximately 219% compared with that of the corresponding period in 2015.
2. The Group achieved profit before taxation of about RMB 4,614,000 for the six months ended 30 June 2016, representing an increase of approximately 949% compared with that of the corresponding period in 2015.
3. The Group achieved net profit of about RMB 3,922,000 for the six months ended 30 June 2016, representing an increase of approximately 791% compared with that of the corresponding period in 2015.
4. Earnings per share (basic) amounted to RMB 0.43 cent for the six months ended 30 June 2016, representing an increase of approximately 760% compared with that of the corresponding period in 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	8,950	4,007	15,624	4,900
Cost of sales		(3,276)	(1,644)	(3,750)	(1,872)
Gross profit		5,674	2,363	11,874	3,028
Other income		208	138	223	(106)
Administrative expenses	3	(2,450)	(958)	(6,987)	(2,444)
Profit from operations		3,432	1,405	5,110	584
Finance costs		(356)	-	(496)	(38)
Profit before taxation		3,076	1,543	4,614	440
Income tax	6	(684)	-	(692)	-
Profit for the year		2,392	1,543	3,922	440
Attributable to :					
equity holders of the Company		2,392	1,543	3,922	468
Minority interests		-	-	-	(28)
Profit for the year		2,392	1,543	3,922	440
Earnings per share (cent)					
- basic	5	0.26	0.17	0.43	0.05
- diluted	5	0.23	0.15	0.39	0.05

CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2016 RMB'000	audited 31 Dec 2015 RMB'000
	Notes		
Non-current assets			
Property, plant and equipment		4,284	4,803
		4,284	4,803
Current assets			
Work-in-progress		2,927	2,673
Trade receivables and notes receivables		831	3,368
Other receivables, deposits and prepayments		2,756	1,332
Cash and cash equivalents		817	6,775
		7,331	14,145
Current liabilities			
Short term loan	7	1,500	1,500
Trade and other payables		23,444	22,500
Receipt in advance		9,746	24,215
Convertible bond	7	6,237	5,779
Derivative financial liabilities		4,281	4,447
tax liabilities		1,226	128
		46,434	58,619
Net current assets		(39,103)	(44,471)
Total assets less current liabilities		(34,819)	(128,134)
Non-current liabilities			
		-	-
Net assets		(34,819)	(39,668)
Capital and reserves			
Share capital		81,699	81,699
Reserves		(116,518)	(121,367)
Total equity attributable to equity shareholders of the Company		(34,819)	(39,668)
Minority interests		-	-
Total equity		(34,819)	(39,668)

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Net cash used in operating activities	(5,920)	(1,149)
Net cash used in investing activities	-	-
Net cash used in financing activities	(38)	(830)
Net decrease in cash and cash equivalents	(5,958)	(1,979)
Cash and cash equivalents at beginning of the period	<u>6,775</u>	<u>3,878</u>
Cash and cash equivalents at end of the period	<u><u>817</u></u>	<u><u>1,899</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share-Based		Statutory enterprise						
	Share capital	Payment reserve	Special Reserve	Capital reserve	Statutory reserve	fund expansion	Retained earnings	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	81,699	4,285	6,039	2,254	3,821	6,986	(142,740)	134	(37,522)
New issue of shares	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	468	(28)	440
At 30 June 2015	<u>81,699</u>	<u>4,285</u>	<u>6,039</u>	<u>2,254</u>	<u>3,821</u>	<u>6,986</u>	<u>(142,272)</u>	<u>106</u>	<u>(37,082)</u>
At 1 January 2016	81,699	5,626	6,039	2,254	3,821	6,986	(146,093)	-	(39,668)
New issue of shares	-	-	-	-	-	-	-	-	-
Profit for the period	-	927	-	-	-	-	3,922	-	4,849
At 30 June 2015	<u>81,699</u>	<u>6,553</u>	<u>6,039</u>	<u>2,254</u>	<u>3,821</u>	<u>6,986</u>	<u>(142,171)</u>	<u>-</u>	<u>(34,819)</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies and basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) HKAS 34 Interim Financial Reporting. In addition, the financial statements comply with the applicable disclosure provisions of Rule 18, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2015.

2. Turnover and revenue

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

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted clinical research services (VPS)	7,576	3,007	13,255	3,900
Post Market Service (PMS)	1,374	1,000	2,369	1,000
Other Service				
	<u>8,950</u>	<u>4,007</u>	<u>15,624</u>	<u>4,900</u>

3. Administrative expenses

Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
2016	2015	2016	2015
RMB'000	RMB'000	RMB'000	RMB'000

Administrative expenses

2,450	958	6,987	2,444
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Administrative expenses for the six months ended 30 June 2016 increased by 186% compared with that of the corresponding period in 2015 mainly because of the increase of manpower and personnel costs.

4. Dividends

The board does not recommend the payment of any interim dividend for the six months ended 30 JUNE 2016 (2015: Nil).

5. Earnings per share

Basic earnings per share for the three months ended 30 June 2016 is calculated by dividing the unaudited profit attributable to owner of the Group for the period, approximately RMB 3,922,000 (approximately profit of RMB 440,000 for the corresponding period of 2015) by the weighted average number of 915,271,660 ordinary shares (2015: 915,271,660 shares) for the period.

The calculation of the diluted earnings per share the three months ended 30 June 2016 is based on the unaudited earnings attributable to owner of the Group and adjusted to eliminate the interest expense less the tax effect for the period. The weighted average number of 1,017,869,360 (2015: 1,017,869,360) ordinary shares is adjusted for the effect of the dilutive potential ordinary shares to be issued to the exercise of the options granted under all relevant Share Option Schemes and the conversion of convertible bond of 102,597,700 (2015: 102,597,700) shares for the period .

6. Income Taxes

No Hong Kong profit taxes has been provided for, as the Group had no estimated assessable profits in Hong Kong for the period(2015: 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 June 2016 (2015: 15%-25%). During the year, Beijing Dezhong Venturepharm Medical Development Co, Ltd.(北京德眾萬全藥物技術開發有限公司), Beijing Venturepharm Sunshine Medical Technology Co, Ltd.(北京萬全陽光醫藥科技有限公司), Beijing Venturepharm Sunshine Pharmaceutical Technology Co, Ltd.北京萬全陽光醫學技術有限公司), Beijing Dezhong Venturepharm Pharmaceutical Technology Co, Ltd.(北京德眾萬全醫藥科技有限公司) and Hainan Shengke Life Science Research Co, Ltd.(海南盛科生命科學研究院) have obtained the qualification for High-tech Enterprises and are subject to the PRC Enterprise Income Tax at 15%.

	Unaudited		Unaudited	
	three months		Six months	
	Ended	30 June	ended	30 June
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Income Tax	684	0	692	0

7. Borrowings

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Bank Loan	1,500	2,000
Convertible bond	6,237	4,844
	<u>7,737</u>	<u>6,844</u>

As of 30 June 2016, the fair value of the convertible bonds for the Group and the Company amounted approximately RMB 6,237,000.

8. Segment information

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group has achieved a turnover of about RMB 15,624,000 for the six months ended 30 June 2016, representing an increase of approximately 219% compared with that of the corresponding period in 2015, which is mainly due to the turnover increase in Clinical Research Service and Post Market Service.

PROSPECTS

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

DIVIDEND

The Directors have not recommended payment of any interim dividend for the six months ended 30 June 2016.

SIGNIFICANT INVESTMENTS

Nil

CONTINGENT LIABILITIES

As of 30 June 2016, the Group did not have any contingent liabilities not recorded.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

FOREIGN EXCHANGE EXPOSURE

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2016.

COMPETING INTERESTS

As of 30 June 2016 none of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

(1) Corporate governance practices

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

(2) Directors’ securities transactions

The Company has adopted the Company Code for Securities Transactions by Directors of Listed Issuers in compliance with the provisions that are set out in the GEM Listing Rules as its own code of conduct for Directors’ dealings of securities since 29 June 2005. Specific enquiries have been made with all Directors and the Directors confirmed that they have complied with the required standard set out in the Company Code in the period from 1 January 2016 to 30 June 2016.

(3) Chairman and chief executive officer

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

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

(4) Board practice and procedures

During the period from the date of listing to 30 June 2016, the Company has been in compliance with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules.

(5) Audit committee

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

The company’s financial statements for the six months ended 30 June 2016 have been reviewed by the audit committee.

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

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

By Order of the Board

China Health Group Inc.

William Xia GUO

Chairman

Hong Kong, 13 August, 2016

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

Executive Directors:

William Xia GUO

Maria Xue Mei SONG

Non-Executive Directors:

Michael SU

Independent Non-Executive Directors:

Shou Yuan WU

Bin Hui NI

Mark Gavin Lotter