CHINA HEALTH GROUP INC.

中國醫療集團有限公司

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8225)

ANNOUNCMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 (the “GEM Listing Rules”) for the purpose of giving information with regard to China Health Group Inc. 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 or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement herein or this announcement herein or this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

The board of Directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative audited figures for the year ended 31 December 2016 as follows:

HIGHLIGHTS

1. The Group recorded consolidated turnover of RMB58,491,000 for the year ended 31 December 2017, which represents approximately 189% increase from RMB20,241,000 for the year ended 31 December 2016.

2. The Group recorded profit before taxation of RMB33,898,000 for the year ended 31 December 2017, as compared with profit before taxation of RMB2,085,000 in for the year ended 31 December 2016. The Group recorded an increase of profit by the expansion of the post market clinical research, real-world clinical research, medical science liaisons and medical market services.

3. The basic and diluted earnings per share is RMB3.07 cents in 2017, while basic earnings per share was RMB0.23 cents in 2016.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	58,491	20,241
Cost of services		(2,075)	(3,357)
Other income	4	119	220
Administrative expenses		(5,188)	(4,392)
Staff costs	5(b)	(17,373)	(9,827)
Profit from operations		33,974	2,885
Finance costs	5(a)	(76)	(800)
Profit before taxation	5	33,898	2,085
Income tax	6	(3,444)	42
Profit and total comprehensive income for the year		30,454	2,127
Profit and total comprehensive income for the year attributable to:			
- Equity shareholders of the Company		30,454	2,127
- Non-controlling interests		-	-
		30,454	2,127
Earnings per share		RMB cents	RMB cents
- Basic and diluted	7	3.07	0.23

Consolidated statement of financial position
As 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		2,751	3,771
New drug technologies		-	-
		2,751	3,771
Current assets			
Work-in-progress		2,418	2,086
Trade and bills receivables	8	18,891	551
Trade deposits paid	9	1,600	3,100
Prepayments and other receivables	10	815	1,584
Cash and cash equivalents		6,258	1,753
		29,982	9,074
Current liabilities			
Trade payables, other payables and accrued charges	11	23,079	23,311
Receipts in advance	12	382	4,855
Loans from related companies	13	-	8,321
Bank borrowing	14	-	1,500
Tax payable		3,468	24
		26,929	38,011
Net current assets/(liabilities)		3,053	(28,937)
Net assets/(liabilities)		5,804	(25,166)

Consolidated statement of financial position (continued)
As 31 December 2017
(Expressed in Renminbi)

	2017	**2016**
	RMB'000	RMB'000
Capital and reserves		
Share capital	88,673	88,673
Reserves	(82,869)	(113,839)
Total equity/(deficit) attributable to equity shareholders of the Company	5,804	(25,166)
Non-controlling interests	-	-
Total equity/(deficit)	5,804	(25,166)

Notes to the consolidated financial statements

1. General

The Company was incorporated in the Cayman Islands on 21 May 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is at PO Box 2804, 4th Floor, Scotia Centre, George Town, Grand Cayman, Cayman Islands and its principal place of business is at Building A2, Haitong Commercial Centre, No. 11 of West Third Ring North Road, Haidian District, Beijing, the People's Republic of China (the "PRC"). The Company has had its shares listed on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited since 10 July 2003.

The Company is an investment holding company.

These consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. RMB is the functional currency of the Company and the Company's subsidiaries established in the PRC.

These consolidated financial statements for the year ended 31 December 2017 were approved by the Board on 21 March 2018.

2. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. There have been no significant changes to the accounting policies applied in these consolidated financial statements as a result of these developments.

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

(b) Basis of preparation of the consolidated financial statements

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Revenue and segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group is principally engaged in the provisions of clinical research services, real-world clinical research, medical science liaisons and medical marketing programs which aimed to bridge the gaps between the clinical and commercial phases of product development. These services are subject to similar business risks and resources and are allocated based on the view of the whole Group's benefits in enhancing the value as a whole rather than on any specific unit. The Group's chief operating decision-maker considers that the performance assessment of the Group should be based on the profit before taxation of the Group as a whole. Therefore, only one operating segment information are disclosed under the requirements of HKFRS 8.

The amount of each significant category of revenue is as follows:

	2017 RMB'000	2016 RMB'000
Provision of post market clinical research, real-world clinical research, medical science liaisons and medical market services ("PM services")	39,273	5,473
Provision of contracted pharmaceutical development services ("PD services")	5,377	-
Provision of contracted clinical research services ("CR services")	2,632	12,279
Sales of drugs technologies	4,717	-
Sales of patents and trademarks	4,717	-
Other medical services	1,775	2,489
	58,491	20,241

Other medical services include registration, application and testing services.

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

	2017 RMB'000	**2016** RMB'000
Provisions of PM, PD and CR services and sales of drugs technologies, patents and trademarks to Customer A	22,828	3,387
Provision of PM services to Customer B	24,244	N/A

4. Other income

	2017 RMB'000	**2016** RMB'000
Government grants (Note)	29	87
Bank interest income	8	9
Compensations received	-	19
Others	82	105
	119	220

Note:

The government grants during the years ended 31 December 2017 and 2016 represented unconditional cash awards in respect of refunds of application fees of patents and trademarks from government authorities.

5. Profit before taxation

Profit before taxation is arrived at after charging:

		2017 RMB'000	2016 RMB'000
(a)	Finance costs		
	Interests on:		
	- Bank borrowings	76	75
	- Convertible bonds	-	725
		76	800
(b)	Staff costs (including directors' emoluments)		
	Salaries, bonuses and other benefits	14,459	7,216
	Contributions to defined contribution retirement plans	2,398	1,187
	Equity settled share-based payment expenses	516	1,424
		17,373	9,827
(c)	Other items		
	Auditors' remuneration	530	424
	Litigation claims expense	1,172	296
	Depreciation	1,020	1,032
	Minimum lease payments under operating lease in respect of buildings	240	24
	Cost of work-in-progress	2,075	3,357

6. Income tax

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 RMB'000	2016 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	3,444	-
Over-provision in respect of prior years	-	(42)
Income tax expense/(credit)	3,444	(42)

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits for the year ended 31 December 2017 (2016: RMBNil).

Under the Enterprise Income Tax ("EIT") Law of the PRC, in general, the applicable EIT rate of enterprises in the PRC is 25%. Certain subsidiaries of the Group are approved and certified by relevant authorities as "High and New Technology Enterprises" and are entitled to a preferential EIT rate of 15% for both years.

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

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB30,454,000 (2016: RMB2,127,000) and the weighted average of 992,772,000 (2016: 915,484,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	**2016**
	’000	’000
Issued ordinary shares at 1 January	992,772	915,272
Effect of convertible notes converted into ordinary shares	-	212
Weighted average number of ordinary shares at 31 December	992,772	915,484

(b) Diluted earnings per share

No adjustment had been made to the basic earnings per share amount as presented for the years ended 31 December 2017 and 2016 in respect of a dilution of the convertible notes and outstanding share options which had an anti-dilutive effect on the basic earnings per share.

8. Trade and bills receivable

	2017	**2016**
	RMB’000	RMB’000
Trade receivables	18,122	551
Bills receivable	769	-
	18,891	551

Included in trade receivables of the Group as at 31 December 2017 is the trade receivables from a related company of RMB8,824,000 (2016: RMBNil), which is unsecured, interest-free and bears normal commercial terms as other trade debtors. A related company is an entity in which a director of the Company, Mr. William Xia GUO, had significant influence.

(a) Ageing analysis

The Group normally grants 30 days (2016: 15 to 30 days) credit period to its customers. The bills receivable as at 31 December 2017 are non-interest bearing bank acceptance bills and are aged within 6 months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowances for doubtful debts, is as follows:

	2017	**2016**
	RMB'000	RMB'000
Within 30 days	16,333	518
31 to 60 days	2,525	-
61 to 90 days	-	33
Over 365 days	33	-
	18,891	551

(b) Trade and bills receivables that are not impaired

	2017	**2016**
	RMB'000	RMB'000
Neither past due nor impaired	16,333	551
Within 30 days past due	2,525	-
31 to 365 days past due	-	-
More than 365 days past due	33	-
Amounts past due	2,558	-
	18,891	551

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

9. Trade deposits paid

Trade deposits paid represented guarantee deposits paid to customers in connection with service agreements signed for the provision of PM services and will be returned upon satisfaction of contract terms.

10. Prepayments and other receivables

	Note	2017 RMB'000	2016 RMB'000
Prepayments		61	61
Value-added tax recoverable		281	283
Advances to staff for business trips		284	758
Amounts due from directors	(a)	68	88
Other receivables		121	394
		815	1,584

All of the prepayments and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Amounts due from directors

The amounts due from directors, disclosed pursuant to section 383 of the Hong Kong Companies Ordinance, are as follows:

Name of director	At 31 December 2017 RMB'000	At 31 December 2016 and 1 January 2017 RMB'000	At 1 January 2016 RMB'000	Maximum amount outstanding during the year 2017 RMB'000	Maximum amount outstanding during the year 2016 RMB'000
Dr. Maria Xue Mei SONG	68	60	-	68	73
Mr. Michael SU	-	28	-	28	30
	68	88	-		

The amounts due from directors are non-trade related, unsecured, interest-free and repayable on demand.

11. Trade payables, other payables and accrued charges

	Note	2017 RMB'000	2016 RMB'000
Trade payables	(a)	43	108
Litigation claims payables	(b)	13,484	13,033
Accrued staff costs, welfare and benefits		3,492	2,279
Value-added tax and sundry taxes payable		1,913	98
Amounts due to related companies	(c)	-	2,987
Others		4,147	4,806
		23,079	23,311

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 30 days	-	108
Over 365 days	43	-
	43	108

(b) Several subsidiaries of the Company are defendants in various lawsuits and claims arising in the normal course of the Group's business. The amounts provided represented the outstanding claims payable to plaintiffs according to the respective court judgements.

(c) Related companies were entities in which a director of the Company, Mr. William Xia GUO, had significant influence. The amounts due were unsecured, interest-free and repayable on demand.

12. Receipts in advance

	2017 RMB'000	2016 RMB'000
At 1 January	4,855	24,215
Cash received for the year	83	552
Reclassify to loans from related companies (note 13)	-	(6,459)
Revenue recognised for the year	(4,556)	(13,453)
At 31 December	382	4,855

As at 31 December 2016, included in receipts in advance was an amount of RMB300,000 representing suspended projects which are pending of mutual agreement between the Group and the customers on final settlement in respect of the deposits received.

13. Loans from related companies

Related companies were entities in which a director of the Company, Mr. William Xia GUO, had significant influence. The loans from related companies were unsecured, interest-free and specifically provided to finance the daily operations of the Group. The loans were repayable on 30 June 2018 but contain a repayment on demand clause and, therefore were classified as current liabilities in 2016. All of the loans were settled before its due date in 2017.

14. Bank borrowing

	2017 RMB'000	2016 RMB'000
Bank loan	-	1,500

The loan was unsecured, interest-bearing at the Loan Prime Rate of Beijing Bank plus 92 points and was guaranteed by a director of the Company, Dr. Maria Xue Mei SONG. The loan was fully repaid during the year. The effective interest rate during the year ended 31 December 2017 was 5.22% (2016: 5.22%) per annum.

15. Operating lease commitments

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	22	47

The Group is the lessee in respect of a number of buildings held under operating leases. The leases typically run for an initial period of one year, with an option to renew when all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

16. Retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the subsidiaries of the Company in the PRC participate in defined contribution retirement schemes (the "Schemes") organised by the relevant local authorities whereby the subsidiaries in the PRC are required to make contributions to the Schemes at rates which range from 0.4% to 19% (2016: 0.3% to 20%) of the eligible employee's salaries during the year. The relevant local government authorities are responsible for the entire pension obligations payables to retired employees.

17. Equity settled share-based transactions

The Company has a share option scheme which was adopted on 20 June 2003 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company within the Group, to take up options at predetermined considerations to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the share options are as follows:

2017:

Grant date	Exercise price	Note	At 1 January 2017	Lapsed during the year	At 31 December 2017
10 May 2007	HK$0.625	(ii)	1,950,100	(1,950,100)	-
7 April 2009	HK$0.435	(iii)	3,918,800	(250,000)	3,668,800
30 June 2015	HK$0.45	(iv)	17,300,000	(1,190,000)	16,110,000
			23,168,900	(3,390,100)	19,778,800

2016:

Grant date	Exercise price	Note	At 1 January 2016	Lapsed during the year	At 31 December 2016
10 August 2006	HK$0.36	(i)	928,800	(928,800)	-
10 May 2007	HK$0.625	(ii)	1,950,100	-	1,950,100
7 April 2009	HK$0.435	(iii)	4,330,800	(412,000)	3,918,800
30 June 2015	HK$0.45	(iv)	20,670,000	(3,370,000)	17,300,000
			27,879,700	(4,710,800)	23,168,900

Notes:

(i) These options were exercisable within the period commencing from 10 August 2006 to 9 August 2016. The options were valid and effective until 9 August 2016.

(ii) These options were exercisable within the period commencing from 10 May 2007 to 9 May 2017. The options were valid and effective until 9 May 2017.

(iii) These options were exercisable within the period commencing from 7 April 2009 to 6 April 2019. The options were valid and effective until 6 April 2019.

(iv) These options are exercisable in three trench with the maximum percentage of options exercisable with the periods commencing from 30 June 2016 to 29 June 2017, 30 June 2017 to 29 June 2018 and on 30 June 2018 being 40%, 70% and 100% respectively. The options are valid and effective until 29 June 2025.

(b) The number and weighted average exercise prices of share options that are exercisable are as follows:

	2017		2016	
	Weighted average exercise price HK$	Number of options ('000)	Weighted average exercise price HK$	Number of options ('000)
Outstanding at the beginning of the year	0.465	18,518,150	0.464	13,927,450
Granted during the year	0.450	3,617,250	0.450	9,301,500
Lapsed during the year	0.550	(3,390,100)	0.431	(4,710,800)
Outstanding at the end of the year	0.447	18,745,300	0.465	18,518,150
Exercisable at the end of the year	0.447	18,745,300	0.465	18,518,150

The options outstanding as at 31 December 2017 had a weighted average remaining contractual life of 6.28 years (2016: 5.34 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions	2015
Fair value at measurement date	HK$0.209 - HK$0.288
Share price	HK$0.43
Exercise price	HK$0.45
Expected volatility (expressed as weighted average volatility used in the modeling under binomial lattice model)	89.29%
Option life (expressed as weighted average life used in modeling under binomial lattice model)	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.788%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

During the year ended 31 December 2017, equity settled share-based payment expenses related to services provided by the directors of the Company and other employees of RMB373,000 (2016: RMB714,000) and RMB143,000 (2016: RMB710,000) respectively were recognised in profit or loss arising from options vested during the year.

18. Contingent liabilities in respect of litigation claims

As of 31 December 2017, certain of the subsidiaries of the Group are defendants in proceedings relating to its customers. Based on the respective court judgements, management is of the opinion that the outcome of such proceedings will not be beyond the existing accruals made for such litigation claims as disclosed in note 11(b). Accordingly, there will be no significant impact to the financial status of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded profit before taxation of RMB33,898,000 for the year of 31 December 2017, as compared with profit before taxation of RMB2,085,000 in the corresponding period last year. This year's earnings are mainly due to the income of post market clinical research, real-world clinical research, medical science, and medical market services ("PM services").

The Group recorded operating profit of RMB33,974,000 for the year, without considering the financial expense of RMB76,000, as compared with operating profit of RMB2,885,000 in year 2016.

The Group recorded revenue of RMB58,491,000 for this Year, which represents approximately 189% increases from RMB20,241,000 in the corresponding period last year. The 2017 consolidated turnover included approximately RMB2,632,000 derived from the contracted clinical research services ("CR services"), amounted to 5% of the total revenue; approximately RMB39,273,000 from PM services, amounted to 67% of the total revenue and approximately RMB1,775,000 from other medical services, amounted to 3% of the total revenue. The differences in revenues for these two years was mainly due to (a) the terminal of clinical medicine of research-type extension based on the clinical research i.e .PM services, which is one of the four growth-driving platforms was widely recognized by the markets. For the year of 31 December 2017, the PM services revenue increases approximately RMB33,800,000. (b) The Group recorded a decrease in revenue in CR services of approximately RMB9,647,000 for the Year. (c) Revenue in other medical services decreased by RMB714,000 compared to that in 2016.

Total consolidated administrative expenses and staffs costs were approximately RMB22,561,000 representing an increase of approximately RMB8,342,000 compared with approximately RMB14,219,000 of the corresponding period last year. The increase was primarily due to the increase in headcounts.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2017, the Group's current assets exceeded its current liabilities and its total assets exceeded its total liabilities by approximately RMB3,053,000 (2016: net current liabilities of approximately RMB28,937,000) and approximately RMB 5,804,000 (2016: net liabilities of approximately RMB25,166,000) 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"). As such, the foreign currency risk of the Group is limited. Currently, the Group has not adopted any financial instrument for hedging purposes.

BUSINESS REVIEW

Aiming at long-term development, the Group keeps pursuing its business strategy of transforming from a leading technology transfer supplier to a health care service group under the internet architecture.

CHG now stands at the forefront of the most exciting and dynamic shift in the history of health industry. With the help of challenge and opportunity provided by Chinese clinic revolution, China Health Group Inc. is focusing on building itself into a group corporation providing comprehensive terminal medical service under international architecture, from hospital clinical research and product medical promotion service, hospital management service, mobile telemedicine service, special expertise therapy service to rehabilitation and medical tours service.

We are more than exciting about the approval of continuing connected Service Agreement which has a rather significant positive impact over the performance of the Group in terms of revenue and profit.

With the changing landscape of commercial way of pharma power house in China, CHG commit to replace traditional CSO sales model in China to CRO and CSO combination model. CHG combines strategic thinking with the ability to capture and analyse complex clinical data to effectively demonstrate real-world outcomes. Our reach extends to field based teams who connect with payers on a local level to help communicate your product value story, CHG offers real world clinical study, medical science liaisons, medical marketing programs which aimed to bridge the gaps between the clinical and commercial phases of product development, providing expertise across a broad range of pre- and post-launch opportunities.

All of CRO-registered clinical trial and PM services or outcome research help to create the “activities” with KOLs and all key hospitals and build up “SMO” in all key hospitals, we will leverage all of the research “actives” + “SMO” into commercial medical marketing. All those will replace traditions sales in China and meet all those compliance challenges in China.

PM services

This year is a milestone year for company strategic transition. The Group made best use of its VPSCRO's 17 years of efforts and strong relationship with leaders and experts through 400 clinical bases for the marketing and clinical research of new drugs to list and clinical research and brought revenue of RMB 39,273,000.

CR services

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

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

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

SIGNIFICANT INVESTMENT

During the year, there was no significant investment.

CAPITAL COMMITMENT

As of 31 December 2017, the Group did not have any significant capital commitment.

HUMAN RESOURCES

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

The Group monitored closely the remuneration and fringe benefits of the employees and rewarded employees in accordance with the Group's business performance. In addition, training and development opportunities for the employees were also provided by the Group.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LIST SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules 5.28 to 5.33. The primary duties of the audit committee are (a) to review the Group's annual reports, interim reports and quarterly reports (b) to discuss and review with the audit of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process, risk management and internal control systems of the Group. and provide advice and comments to the Board.

The audit committee has three members comprising the three Independent Non-executive Directors, Mr. Rui Qiu, Mr. Mark Gavin Lotter and Binhui NI. The chairman of the audit committee is Mr. Rui Qiu who possesses extensive experience in finance and accounting.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2017, except for the continuing connected transactions (Details of which are disclosed in the company's circular dated 31 July 2017 in www.hkexnews.com) entered into between the Group and related companies, at which a director of the company, Mr. William Xia Guo, has significant interests in these companies, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors or the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

EMPLOYEE AND REMUNERATION POLICY

During the Year, staff cost, including directors' remuneration is approximately RMB17,373,000 (2016: approximately RMB9,827,000). The Group remunerates its employees based on their performance, and the prevailing market price. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

The Company adopted the Share Option Schemes where share options to subscribe for shares of the Company have be granted to the eligible participants of the Group. 18,745,300 share options have been owned by the eligible participants under the Scheme for the year ended 31 December 2017.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited financial statements for the year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on this announcement.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the year ended 31 December 2017, with the exception for the following deviations:

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

Under code provision A.4.1, non-executive Directors should be appointed for specific term. There is no specific term of appointment of the non-executive Directors; however, they are subject to retirement by rotation in accordance with the Articles and the Code. Accordingly, the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive Directors as required under the code provision.

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The annual general meeting of the Company (the "AGM") held on 30 June 2017, Mr. William Xia Guo (chairman of the Board), did not attend the said AGM to answer questions of the shareholders of the Company due to other prior business engagements. However, Mr. William Xia Guo has appointed the other attended Director Ms. Maria Xuemei Song as their representative at the said meetings to answer questions of the shareholders of the Company.

RULE 5.05(1) OF THE GEM LISTING RULES

Rule 5.05(1) of the GEM Listing Rules the board of directors of a listed issuer must include at least three independent non-executive Directors.

After the appointment of Mr. Mark Gavin Lotter on 17 February 2015 and Dr Binhui NI on 31 March 2015 as the independent non-executive Director, the Company has fulfilled the requirement on the number of independent non-executive directors of the Company as required under Rule 5.05(1) of the GEM Listing Rules.

RULE 5.28 OF THE GEM LISTING RULES

Rule 5.28 of the GEM Listing Rules every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of 3 members.

The Company has fulfilled the requirement on the number of members of the audit committee as required under Rule 5.28 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The following is the extract of the independent auditor's report from Baker Tilly Hong Kong Limited, the external auditor of the Company on the Group's consolidated financial statements for the year ended 31 December 2017:

Opinion

We have audited the consolidated financial statements of China Health Group Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PUBLICATION OF ANNUAL REUSLT AND ANNUAL REPORT

This results announcement is published on the GEM website at www.hkexgem.com and the Company's website at www.chgi.net. The annual report of the Company for the year ended 31 December 2017 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board

China Health Group Inc.
William Xia Guo

Chairman

Beijing PRC, 21 March 2018

As at the date hereof, the Board comprises two executive directors, being Mr. William Xia GUO and Dr. Maria Xue Mei Song; one non-executive director, being Mr. Michael Su; and three independent non-executive directors, being Mr. Rui Qiu, Dr. Bin Hui Ni and Mr. Mark Gavin Lotter.

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.chgi.net