CHINA HEALTH GROUP INC.

中國醫療集團有限公司

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

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

(Stock Code: 08225)

ANNOUNCMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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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 (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 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 2018 together with the comparative audited figures for the year ended 31 December 2017 as follows:

HIGHLIGHTS

1. The Group recorded consolidated turnover of RMB59,606,000 for the year ended 31 December 2018, which represents approximately 1.9% increase from RMB58,491,000 for the year ended 31 December 2017.

2. The Group recorded profit before taxation of RMB27,668,000 this Year, as compared with profit before taxation of RMB33,898,000 for the year ended 31 December 2017.

3. The Group recorded operating profit of RMB27,731,000 for the year ended 31 December 2018, deducting financial costs of RMB63,000, as compared with operating profit of RMB33,974,000 in year 2017. Operating profit increased by 18.38%.

4. The basic and diluted earnings per share is RMB2.33 cents in 2018, while basic earnings per share was RMB3.07 cents in 2017.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	4	59,606	58,491
Cost of services		(7,240)	(2,075)
Other income	5	143	119
Administrative expenses		(8,532)	(5,188)
Staff costs	6(b)	(16,246)	(17,373)
Profit from operations		27,731	33,974
Finance costs	6(a)	(63)	(76)
Profit before taxation	6	27,668	33,898
Income tax	7	(4,504)	(3,444)
Profit and total comprehensive income for the year		23,164	30,454
Profit and total comprehensive income for the year attributable to:			
- Equity shareholders of the Company		23,164	30,454
- Non-controlling interests		-	-
Earnings per share		RMB cents	RMB cents
- Basic and diluted	8	2.33	3.07

Consolidated Statement of Financial Position

As 31 December 2018

	Note	2018 RMB’000	2017 RMB’000
Non-current assets			
Property, plant and equipment		3,301	2,751
		3,301	2,751
Current assets			
Contract cost		11,108	2,418
Trade and bills receivables	9	41,399	18,891
Trade deposits paid	10	800	1,600
Prepayments and other receivables	11	3,181	815
Cash and cash equivalents		9,004	6,258
		65,492	29,982
Current liabilities			
Trade payables, other payables and accrued charges	12	29,916	23,079
Contract liabilities	13	367	382
Bank borrowing	14	1,500	-
Tax payable		7,822	3,468
		39,605	26,929
Net current assets		25,887	3,053
Net assets		29,188	5,804

Consolidated Statement of Financial Position (continued)
As 31 December 2018

	2018 RMB'000	2017 RMB'000
Capital and reserves		
Share capital	88,673	88,673
Reserves	(59,485)	(82,869)
Total equity attributable to equity shareholders of the Company	29,188	5,804
Non-controlling interests	-	-
Total equity	29,188	5,804

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 4th Floor, PO Box 2804, Scotia Centre, George Town, Grand Cayman, Cayman Islands and its principal place of business is Building AII Haitong Commercial Center, 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.

The consolidated financial statements for the year ended 31 December 2018 were approved by the Board on 27 May 2019.

2. Adoption of new and revised international financial reporting standards

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

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	RMB'000
As 31 December 2017:	
Decrease in work-in-progress	(2,418)
Increase in contract costs	2,418
Decrease in Receipts in advance	(382)
Increase in contract liabilities	382

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

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

A summary of the significant accounting policies adopted by the Group is set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between:

(i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary; and

(ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives of property, plant and equipment are as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

Operating Leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

(a) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("life time expected credit losses") for trade receivables and contract assets or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of life time expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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 capitalised as part of 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 capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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 differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits 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 arising on 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(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 Company or of a parent of the Company.

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

(i) The entity and the Company 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. If the Group is itself such a plan, the sponsoring employers are also 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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single segment and no segmental analysis is presented.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. 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, medical marketing programs which aims to bridge the gaps between the clinical and commercial phases of product development in the PRC and its revenues are all derived in the PRC for both years. 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 single segment information are disclosed under the requirements of HKFRS 8.

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

	2018 RMB'000	2017 RMB'000
Provision of post launch market research, medical and medical market services (the "PM services")	42,363	39,273
Provision of contracted pharmaceutical development services (the "PD services")	234	5,377
Provision of contracted clinical research services (the "CR services")	6,186	2,632
Sales of drugs technologies	10,377	4,717
Sales of patents and trademarks	-	4,717
Other medical services	446	1,775
	59,606	58,491

Other medical services include registration, application and testing services.

Disaggregation of revenue from contracts with customers:

	2018 RMB'000
Major products/service	
Provision of PM services	42,363
Provision of PD services	234
Provision of CR services	6,186
Sales of drugs technologies	10,377
Other medical services	446
Total	59,606

	2018 RMB'000
Timing of revenue recognition	
At a point in time	58,941
Over time	665
Total	59,606

	2017
	RMB'000
Major products/service	
Provision of PM services	39,273
Provision of PD services	5,377
Provision of CR services	2,632
Sales of drugs technologies	4,717
Sales of patents and trademarks	4,717
Other medical services	1,775
Total	58,491

Timing of revenue recognition	
At a point in time	58,163
Over time	328
Total	58,491

Provision of PM services, PD services, CR services and other medical services

The Group provides PM services, PD services, CR services and other services to the customers. Revenue is recognised when the relevant services are rendered, no unfulfilled obligation that could affect the customer's acceptance of the services rendered and the respective amount of revenue can be measured reliably.

Some of revenue from PM services is recognised when the progress towards complete satisfaction of the performance obligations of a service contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a service contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the payments exceed the service rendered, a contract liability is recognised.

Services rendered to customers are normally made with credit terms of 30 days. Deposits received are recognised as a contract liability.

A receivable is recognised when the services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales of drugs technologies and patents and trademarks

The Group sells drugs technologies, patents and trademarks to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 days.

A receivable is recognised when the services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

	2018 RMB'000	2017 RMB'000
Provisions of PM, PD and CR services and sales of patents and trademarks to Customer A	18,923	22,828
Provision of PM services to Customer B	21,760	24,244
Sales of drugs technologies to Customer C	7,547	-

5. Other income

	2018 RMB'000	2017 RMB'000
Bank interest income	45	8
Government grants	-	29
Others	98	82
	143	119

6. Profit before taxation

Profit before taxation is arrived at after charging:

	2018 RMB'000	2017 RMB'000
(a) Finance costs		
Interests on:		
- Bank borrowings	63	76
(b) Staff costs (including directors' emoluments)		
Salaries, bonuses and other benefits	13,388	14,459
Contributions to defined contribution retirement plans	2,638	2,398
Equity settled share-based payment expenses	220	516
	16,246	17,373

(c) Other items

Auditors' remuneration	600	530
Litigation claims expense	-	1,172
Depreciation	1,044	1,020
Minimum lease payments under operating lease in respect of buildings	171	240
Cost of Services	7,240	2,075

7. Income tax

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

	2018 RMB'000	2017 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	4,504	3,444
Over-provision in respect of prior years	-	-
Income tax expense	4,504	3,444

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits for the year ended 31 December 2018 (2017: Nil).
Provision for PRC Enterprise Income Tax for the Company and its subsidiaries is calculated based on the Enterprise Income Tax Law of the People's Republic of China ("EIT Law of the PRC"). The Group is subject to a tax rate of 25%. Some subsidiaries of the Company are eligible for tax incentives due to their location and industry. These subsidiaries are subject to a preferential tax rate of 9%.

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 RMB'000	2017 RMB'000
Profit before taxation	27,668	33,898
Notional tax on profit before taxation, calculated at the applicable tax rate of 25%	6,917	8,474
Tax effect of expenses that are not deductible	365	466
Preferential income tax rates applicable to subsidiaries	（2,110）	(2,650)
Tax effect of unused tax losses not recognised	184	263
Tax effect of utilisation of tax losses not recognsied	(852)	(3,109)
Income tax expense/(credit)	4,504	3,444

(c) Deferred tax not recognised:

At 31 December 2018, the Group has not recognised deferred tax assets in respect of cumulative tax losses and deferred income of RMB7,918,000 (2017: RMB9,997,000) and RMB124,000 (2017: RMB96,000) respectively, as it is not probable that future taxable profits will be available against which the unused tax losses can be utilised in the relevant tax jurisdiction. The unused tax losses will expire within five years from the end of the respective reporting periods.

8. 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 RMB23,164,000 (2017: RMB30,454,000) and the weighted average of 992,772,000 (2017: 992,772,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The computation of diluted earnings per share does not assume the exercise the Company's share options because the exercise price of those options was higher than the average market price for shares for 2018 and 2017.

9. Trade and bills receivables

	2018 RMB'000	2017 RMB'000
Trade receivables	36,899	18,122
Bills receivable	4,500	769
	41,399	18,891

Included in trade receivables of the Group as at 31 December 2018 is the trade receivable from a related company of RMB14,817,000 (2017: RMB8,824,000), which is unsecured, interest-free and bears normal commercial terms as other trade debtors. The related company is an entity in which a director of the Company, Mr. William Xia GUO, has significant influence.

(a) Ageing analysis

The Group normally grants 30 days (2017: 30 days) credit period to its customers since the invoice date. The bills receivable as at 31 December 2018 are non-interest bearing bank acceptance bills and are aged within 12 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:

	2018	2017
	RMB'000	RMB'000
Within 30 days	21,337	15,416
31 to 60 days	2,524	2,039
31 to 60 days	2,078	-
91 to 365 days	15,391	1,403
Over 365 days	69	33
	41,399	18,891

(b) The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Within 30 days past due	31 to 365 days past due	Over 365 days past due	Total
At 31 December 2018					
Weighted average expected loss rate	0%	0%	0%	0%	
Receivable amount (RMB'000)	36,537	-	293	69	36,899
Loss allowance (RMB'000)	-	-	-	-	-
At 31 December 2017					
Weighted average expected loss rate	0%	0%	0%	0%	
Receivable amount (RMB'000)	15,564	2,525	-	33	18,122
Loss allowance (RMB'000)	-	-	-	-	-

10. Trade deposits paid

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

11. Prepayments and other receivables

	Note	2018 RMB'000	2017 RMB'000
Prepayments		2,256	61
Value-added tax recoverable		281	281
Advances to staff for business trips		440	284
Amounts due from directors	(a)	81	68
Other receivables		123	121
		3,181	815

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(1)(d) of the Hong Kong Companies Ordinance, are as follows:

Name of director	At 31 December 2018 RMB'000	At 31 December 2017 and 1 January 2018 RMB'000	Maximum amount outstanding during the year 2018 RMB'000	Maximum amount outstanding during the year 2017 RMB'000
Dr. Maria Xue Mei SONG	81	68	81	68
Mr. Michael SU	-	-	-	28
	81	68		

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

12. Trade payables, other payables and accrued charges

	Notes	2018 RMB'000	2017 RMB'000
Trade payables	(a)	1,286	43
Litigation claims payables	(b)	12,983	13,484
Accrued staff costs, welfare and benefits		2,436	3,492
Value-added tax and sundry taxes payable		3,207	1,913
Others		10,004	4,147
		29,916	23,079

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:

	2018	2017
	RMB'000	RMB'000
Within 30 days	1,001	-
31 days to 90 days	102	-
91 days to 365 days	140	-
Over 365 days	43	43
	1,286	43

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

13. Contract costs and liabilities

Disclosures of revenue-related items:

	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
	RMB'000	RMB'000	RMB'000
Total contract costs	11,108	2,418	
Total contract liabilities	367	382	4,855
Contract receivables (included in trade receivables)	36,899	18,122	551
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
- 2018	-	361	
- 2019	3,318	-	
- 2020	133	-	
	3,451	361	

Year ended 31 December	2018	2017
	RMB'000	RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	382	4,556

Significant changes in contract liabilities during the year:

	2018 Contract liabilities RMB'000	2017 Contract liabilities RMB'000
Increase due to operations in the year	367	83
Transfer of contract liabilities to revenue	(382)	(4,556)

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Costs to obtain contracts with customers, mainly commissions to staff and third parties are capitalised as contract costs because the Group expects to recover these costs. Capitalised contract costs are amortised to profit or loss when the related revenue is recognised.

14. Bank borrowing

	2018 RMB'000	2017 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 effective interest rate during the year ended 31 December 2018 was 5.22% (2017: 5.22%) per annum and repayable within one year.

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:

	2018 RMB'000	2017 RMB'000
Within one year	-	22

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% (2017: 0.4% to 19%) 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:

2018:

Grant date	Exercise price	Note	At 1 January 2018	Lapsed during the year	At 31 December 2018
7 April 2009	HK$0.435	(ii)	3,668,800	(108,000)	3,560,800
30 June 2015	HK$0.45	(iii)	16,110,000	(820,000)	15,290,000
			19,778,800	(928,000)	18,850,800

2017:

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

Notes:

(i) 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.

(ii) 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.

(iii) 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:

	2018		2017	
	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	0.447	19,778,800	0.462	23,168,900
Granted during the year				
Cancellation/lapsed during the year	0.448	(928,000)	0.550	(3,390,100)
Outstanding at the end of the year	0.447	18,850,800	0.447	19,778,800
Exercisable at the end of the year	0.447	18,850,800	0.446	14,945,800

The options outstanding as at 31 December 2018 had their exercise price of HK$0.435 and HK$0.45 (2017: HK$0.435 and HK$0.45) and a weighted average remaining contractual life of 5.32 years (2017: 6.28 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 2018, equity settled share-based payment expenses related to services provided by the directors of the Company and other employees of RMB182,000 (2017: RMB373,000) and RMB38,000 (2017: RMB143,000) 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 2018, 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 exceed the existing accruals made for such litigation claims. Accordingly, there will be no significant impact to the financial status of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded revenue of RMB59,606,000 for this Year, which represents approximately 1.9% increases from RMB58,491,000 in the corresponding period last year. Among them, post-marketing research and academic extension services are about RMB 42,363,000, accounting for 71.07% of total revenue; contractual clinical research services are about RMB 6,186,000, accounting for 10.38% of total revenue; drug technology transfer services are about RMB 10,377,000, accounting for 17.41% of total revenue; (a) clinical research is one of the four growth driving platforms that our group strives to build. The research-based promotion of terminal clinical medicine, i.e. post-marketing research and academic promotion services, has been widely recognized by the market; the contribution of revenue accounted for 71.07%; (b) the group's traditional business contract clinical research services also increased considerably in this year, with the contribution of revenue accounting for 10.38%, an increase of 135% over last year; (c) the income of technology transfer services also increased substantially over last year. Income contribution accounted for 17.41%, an increase of 120% over last year.

The Group recorded profit before taxation of RMB27,668,000, for the year of 31 December 2018, as compared with profit before taxation of RMB33,898,000 in the corresponding period last year. Net profit in 2018 was RMB23,614,000, and in 2017 it was RMB30,454,000. This year's earnings are mainly due to the income of launch market research, medical and medical market services (PMS).

Total consolidated administrative expenses and staff costs were approximately RMB 24,778,000 representing an increase of approximately RMB 2,217,000 compared with approximately RMB22,561,000 of the corresponding period last year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2018, the Group’s net current assets and its total assets exceeded its net assets of approximately RMB25,887,000 (2017: net current assets of approximately RMB3,053,000) and approximately RMB29,188,000 (2017: net assets of approximately RMB 5,804,000) 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.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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 2018.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Company’s Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which are required (a) to notify the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provision of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name	Type of interest	Capacity	Number of shares in which interested (other than under equity derivatives)	Number of shares in which interested under physically settled equity derivatives (Note 4)	Total number of shares	Approximate percentage of interest(%)
William Xia GUO	Personal	Beneficial owner	112,035,941	10,974,000	123,009,941	12.39
William Xia GUO	Corporate	Interest of a controlled Corporation *(Note 1)*	348,068,873		348,068,873	35.06
William Xia GUO	Corporate	Interest of a controlled Corporation (*Note 2*)	149,432,583	–	149,432,583	15.05
William Xia GUO	Corporate	Interest of a controlled Corporation *(Note 3)*	91,915,181	–	91,915,181	9.26
Maria Xuemei SONG	Personal	Beneficial owner	924,500	1,636,000	2,560,500	0.26
Mr. Michael SU	Personal	Beneficial owner		220,000	220,000	0.02
Shou Yuan WU	Personal	Beneficial owner		100,000	100,000	0.01
Mark Gavin LOTTER	Personal	Beneficial owner		100,000	100,000	0.01
Bin Hui NI	Personal	Beneficial owner		100,000	100,000	0.01
Ling ZHEN	Personal	Beneficial owner		100,000	100,000	0.01

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

Note 2: The controlled corporation, Venturepharm Holdings Inc., is 47.63 % directly held by Mr. William Xia GUO and 49.00 % held by Mr. William Xia GUO through Winsland Agents Limited, his wholly and beneficially owned company incorporated in British Virgin Islands.

Note 3: The controlled corporation, Bright Excel Assets Limited, is 100 % beneficially owned by Venturepharm Holdings Inc.

Note 4: Various interests of the Directors pursuant to physically settled equity derivatives are through share options granted.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2018, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Capacity	Number of shares	Approximate percentage of interest
Winsland Agents Limited (Note 1)	Beneficial owner	348,068,873	35.06
Venturepharm Holdings Inc. (Note 2)	Beneficial owner	149,432,583	15.05
Venturepharm Holdings Inc. (Note 3)	Interest of controlled corporation	91,915,181	9.26
Bright Excel Assets Limited (Note 3)	Beneficial owner	91,915,181	9.26
William Xia GUO (Notes 1, 2 , 3,4)	Beneficial owner and interest of controlled corporations	712,426,578	71.76

Long positions in shares and underlying shares of the Company

Note 1: Winsland Agents Limited is 100% directly held by Mr. William Xia GUO. The shares include 77,500,000 shares granted under the 2014 Convertible Notes. Noteholder has converted all Convertible Notes to ordinary share of 77,500,000 shares on 31 December 2016.There will be no Convertible Notes of the Company held by the Noteholder after the Conversion.

Note 2: Venturepharm Holdings Inc. is 47.63% directly held by Mr. William Xia GUO and 49% held by Mr. William Xia GUO through Winsland Agents Limited, his wholly and beneficially owned company incorporated in the British Virgin Islands.

Note 3: The controlled corporation, Bright Excel Assets Limited, is 100 % beneficially owned by Venturepharm Holdings Inc.

Note 4: Apart from shares held through Venturepharm Holdings Inc., and Winsland Agents Limited, the interests of 10,974,000 shares which are granted to him under the Share Option Scheme are beneficially owned by Mr. William Xia GUO.

Save as disclosed above, as at 31 December 2018 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.

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.

The five clinical research methods and means of CHG are as follows:

1. RWS, RWD, RWE (Real world study, Real world data, Real world evidence), Obtain real-world data and real-world evidence through real-world research;
2. PMS (post market surveillance), Drug alert research
3. MMS (medical marketing services), Medical market, using clinical specialty to carry out market activities
4. MSS (Medical Science services), Medical market services such as medical conference scientific research activities
5. CRS (Contract Clinical Research), Traditional pre-market clinical research services

PROSPECTS

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

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

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

SIGNIFICANT INVESTMENT

Save as disclosed in this report, there was no significant investment during this Year.

CAPITAL COMMITMENT

As of 31 December 2018, 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 2018 (2017: Nil).

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 2018, none of the directors or managerial shareholders of the Company and their respective contacts (as defined in the GEM Listing Rules) , whether directly or indirectly, had any interest in any business constituting or possibly competing with the Group.

EMPLOYEE AND REMUNERATION POLICY

During the Year, staff cost, including directors' remuneration is approximately RMB16,246,000 (2017: approximately RMB17,373,000). 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. 18,850,800 share options have been owned by the eligible participants under the Scheme for the year ended 31 December 2018.

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") as set out 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 2018, with the exception for the following deviations:

Under code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. However, the Company held 4 regular board meetings during 2018, one of which was given less than 14 days' notice to all Directors before the regular board meeting. Accordingly, the Company has already taken sufficient measures to comply with the code provision in respect of the notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.

Under code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its directors. However, the Company has not arranged suitable insurance in respect of the possible legal actions against the directors to indemnify them from the liabilities that may arise from their participation in the decision-making process of the Company in 2018. Accordingly, the Company is in the process of sourcing suitable insurance fee proposals from difference insurers.

Under code provision A.2.1, the responsibilities between chairman and chief executive officer should be separated. 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.2.7, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. However, the chairman did not hold meetings with the independent non-executive directors without the presence of other directors during 2018. Accordingly, the chairman will hold a meeting with the independent non-executive directors without the presence of other directors on 4 June 2019.

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 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 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 25 July 2018, 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 his 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.

After the appointment of Mr. Mark Gavin LOTTER on 17 February 2015 and Dr. Binhui NI on 30 March 2015 as the member of the audit committee, 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 2018

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 2018:

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 2018, 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 2018 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 RESULT 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 2018 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.

SUSPENSION OF TRADING

Trading will remain suspended pending the fulfilment of the conditions prescribed by the Stock Exchange for the Resumption as disclosed in the Company's announcement dated 21 May 2019.

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

Hong Kong, 27 May 2019

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 four independent non-executive directors, being Mr. Rui QIU, Dr. Bin Hui Ni , Mr. Mark Gavin LOTTER and Mr. Ling ZHEN.

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 7days from the date of its posting and on the Company's website at www.chgi.net.