



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)

INTERIM RESULTS ANNOUNCEMENT 2019 FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHARACTERISTIC OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of China Health Group Inc. (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.



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FINANCIAL HIGHLIGHTS

1. The Group achieved a turnover of RMB 31,411,000 for the six months ended 30 June 2019 (the “Period”) representing an increase of approximately 0.53% compared with the corresponding period of 2018.
2. The Group achieved profit before taxation of about RMB18,319,000 for the six months ended 30 June 2019 representing an increase of approximately 4.56% compared with the corresponding period of 2018.
3. Basic earning per share is approximately 1.56 cents for the six months ended 30 June 2019, representing an increase of approximately 6% compared with the corresponding period of 2018.
4. The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2019.

INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) is here to present the condensed unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019, together with the comparative condensed unaudited consolidated figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2019

		Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
	Notes	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Turnover	4	15,067	16,194	31,411	31,245
Cost of sales		(2,006)	(1,885)	(5,899)	(5,799)
Gross profit		13,060	14,309	25,511	25,446
Other income		1	(477)	23	(451)
Administrative expenses	5	(3,072)	(3,245)	(7,172)	(7,441)
Profit from operations		9,990	10,587	18,363	17,553
Finance costs		(20)	(24)	(44)	(33)
Profit before taxation		9,970	10,563	18,319	17,521
Income tax	7	(1,599)	(1,843)	(2,829)	(2,887)
Profit for the year		8,371	8,719	15,490	14,634
Attributable to :					
equity holders of the Company		8,371	8,719	15,490	14,634
Minority interests		-	-	-	-
Profit for the year		8,371	8,719	15,490	14,634
Earnings per share (cent)					
- basic	6	0.84	0.88	1.56	1.47
- diluted	6	0.84	0.88	1.56	1.47

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

		Unaudited 30 June 2019	audited 31 Dec 2018
	Notes	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		2,999	3,301
		2,999	3,301
Current assets			
Work-in-progress		31,909	11,108
Trade and bill receivables		40,907	41,399
Trade deposit paid		800	800
Other receivables and prepayments		7,166	3,181
Cash and cash equivalents		1,959	9,004
		82,741	65,492
Current liabilities			
Short term loan		1,500	1,500
Trade payables, other payables and accrued charges		31,899	29,916
Receipt in advance		421	3,67
Loan from related companies		-	-
Derivative financial liabilities		-	-
tax liabilities		7,243	7,822
		41,062	39,605
Net current assets/ (liabilities)		41,679	25,887
Net assets/ (liabilities)		44,678	29,188
Capital and reserves		-	
Share capital		88,673	88,673
Reserves		(43,995)	(59,485)
Total equity attributable to equity shareholders of the Company		-	-
Minority interests		-	-
Total equity		44,678	29,188

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2019

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net cash used in operating activities	(8,523)	(1,941)
Net cash used in investing activities		
Net cash used in financing activities	1,478	1,489
Net decrease in cash and cash equivalents	(7,045)	(452)
Cash and cash equivalents at beginning of the period	<u>9,004</u>	<u>6,258</u>
Cash and cash equivalents at end of the period	<u><u>1,959</u></u>	<u><u>5,806</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

As of 30 June 2019

	Share Based				Statutory	enterprise		Non-	
	Share	payment	Special	Capital	Statutory	fund	Retained	controlling	
	Capital	reserve	reserve	reserve	reserve	expansion	earnings	interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	88,673	3,863	6,039	6,231	7,158	6,986	(113,146)	-	5,804
Profit for the period	-	-	-	-	-	-	14,634	-	14,634
At 30 June 2018	88,673	3,863	6,039	6,231	7,158	6,986	(98,512)	-	20,438
At 1 January 2019	88,673	3,920	6,039	6,231	9,620	6,986	(92,281)	-	29,188
Profit for the period	-	-	-	-	-	-	15,490	-	15,490
At 30 June 2019	88,673	3,920	6,039	6,231	9,620	6,986	(76,791)	-	44,678

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

1. Corporate information

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 2/F UCOMMUNE, FANGYUAN Mansion, No.56 of ZHONGGUANCUN South Avenue, 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 principal activities of its subsidiaries are to provide fully integrated pharmaceutical services including clinical research services, post marketing surveillance, real-world study, medical science events, medical marketing and product promotion service, and other medical services. The Company is focusing on building itself into a group corporation providing comprehensive terminal medical service under international architecture.

2. Adoption of new and revised international financial reporting standards

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

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

3. Accounting policies and basis of preparation

These unaudited condensed 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 (“HKFRSs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with 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”).

The accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2018 except for the changes in accounting policies, if required, in adopting new or revised HKFRSs and interpretations that are first effective for accounting periods beginning on or after 1 January 2019.

These unaudited condensed consolidated financial statements are presented in Renminbi (“RMB”) and it is also the functional currency of the Company.

4. Revenue and segment information

The Company is principally engaged in providing research, development, medical science events and clinical registry. Breakdown of the revenue from all services is as follows:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of revenue by category				
Provision of clinical research services (CRS)	-	-	-	-
Provision of post marketing surveillance, real-world study, medical science events, and medical marketing (PMS)	14,945	16,109	30,997	29,273
Other medical services	122	85	414	1,972
	<u>15,067</u>	<u>16,194</u>	<u>31,411</u>	<u>31,245</u>

The turnover for the Period increases 0.53% compared with the corresponding period of 2018. Moreover, turnover of PMS for the six months ended 30 June 2019 increased 5.89% compared with the corresponding period of 2018. Revenue from clinical research services has not been confirmed during the period. There was no Connected transaction for the period.

5. Administrative expenses

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	3,072	3,245	7,172	7,441

Administrative expenses decreased about 3.62% compared with the corresponding period of 2018.

6. Earnings per share

Basic earnings per share is calculated by dividing the unaudited net profit approximately RMB15,490,000 (2018: RMB14,634,000) attributable to owners of the Group by the weighted average number of 992,771,660 ordinary shares of the Company for the Quarter (2018:992,771,660 Shares).

The calculation of the diluted earnings per share for the Interim is same as basic earnings per share which based on unaudited the profit attributable to ordinary equity shareholders. The weighted average number of 992,771,660 (2018:992,771,660 Shares).

7. Income Taxes

No Hong Kong profit taxes has been provided for, as the Group had no estimated assessable profits in Hong Kong for the Period (the corresponding period: Nil).

“PRC” Enterprise Income Tax has been calculated on the estimated assessable profit for the Period according to the relevant laws and regulations. The applicable income tax rate is ranging from 9% to 25% as at 30 June 2019 (the Last Year Period: 15%-25%). During the Period, some subsidiaries of the Company are eligible for tax incentives due to their location and industry. These subsidiaries are subject to a preferential tax rate of 9%.

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

	Unaudited three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Income Tax -current period	<u>1,599</u>	<u>1,843</u>	<u>2,829</u>	<u>2,887</u>

8. Dividends

The Board does not recommend the payment of any dividend for the period (2018:Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group achieved a turnover of RMB31,411,000 during the period, representing an increase of approximately 0.53% compared with that in the corresponding period of last year.

The consolidated turnover included approximately RMB30,997,000 derived from the post marketing surveillance, real-world clinical research, medical science and medical market services (PMS), amounted to 98.68% of the total revenue, which was representing an increase of approximately 5.89% from RMB29,273,000 compared with the corresponding period of 2018. There was no Connected Transaction for the six months ended 30 June 2019 ("Period").

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 Health 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 Health 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.

Dividends

The Board does not recommend the payment of any interim dividends for the Period (2018:Nil).

SIGNIFICANT INVESTMENTS

Nil

CONTINGENT LIABILITIES

As of 30 June 2019, the Group did not have any contingent liabilities.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

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

FOREIGN EXCHANGE EXPOSURE

During the period under review, the Group's transactions were substantially denominated in Renminbi ("RMB"). The Group closely monitors its foreign currency risk from time to time and will use appropriate hedging when necessary.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the six months ended 30 June 2019.

COMPETING INTERESTS

None of the Directors or the substantial shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) has interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Period and up to the date of this interim announcement.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, will be 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	Total number of shares	Approximate percentage of interest(%)
			(Note 4)			
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)	348,648,873		348,648,873	35.12
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 Xue Mei SONG	Personal	Beneficial Owner	924,500	1,636,000	2,560,500	0.26
Michael SU	Personal	Beneficial Owner		220,000	220,000	0.02
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 the 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.

Saved as disclosed above, as at 30 June 2019, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2019, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and any Associated Corporations" above, the following person has an interest or short position in the Shares or underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the Shares are listed as follows:

Long Positions in the Shares

Name	Capacity	Number of shares	Approximate percentage of interest
Winsland Agents Limited (Note 1)	Beneficial owner	348,648,873	35.12
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	713,006,578	71.82

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.

Saved as disclosed above, as at 30 June 2019, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and any Associated Corporations” above) who had, or deemed to have, interests or short positions in the shares, underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation” above and “Share Option Scheme” below, at no time during the Period was the Company, its holding company, or any of its subsidiaries or associated corporations, a party to any arrangement that would enable the Directors and chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The post-IPO share option scheme (“2003 Share Option Scheme”) was adopted on 23 May 2003 and expired on 22 May 2013. No further options have been offered or granted under the 2003 Share Option Scheme after the expiry of the scheme, but all the outstanding options previously granted but unexercised under the 2003 Share Option Scheme will remain valid and exercisable in accordance with their terms of issue. On 30 June 2015, the Company passed an ordinary resolution at the annual general meeting to adopt a new share option scheme (the “2015 Share Option Scheme”). The 2015 Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 30 June 2015 (the “Date of Adoption”) (that is from 30 June 2015 to 29 June 2025), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all aspect. The major terms of the 2015 Share Option Scheme are summarised as follows:

Purpose of the 2015 Share Option Scheme

- (a) The 2015 Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions and potential contributions which the eligible participants have made or may make to the Group.

- (b) The 2015 Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to motivating the Eligible Participants to utilize their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group.

The Eligible Participants

The participants of the 2015 Share Option Scheme include (i) any director, employee (whether full time or part time employee), consultant or adviser of or contractor to the Group or any entity in which any member of the Group holds any interest (the "Invested Entity"); (ii) any discretionary trust whose discretionary objects include any director, employee (whether full time or part time employee), consultant or adviser of or contractor to the Group or any Invested Entity; and (iii) a company beneficially owned by any director, employee (whether full time or part time employee), consultant or adviser of or contractor to the Group or any Invested Entity, who, in the absolute discretion of the Board (the "Eligible Participants"), has contributed or may contribute to the Group.

The exercise price of a share option

The exercise price of a share option under the Share Option Scheme will not be less than the highest of (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (iii) the nominal value of a share on the offer date of the particular option.

Maximum number of shares available for subscription under the 2015 Share Option Scheme

(a) 30% limit

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time (the "Scheme Limit").

(b) 10% limit

In addition to the Scheme Limit, and subject to the following paragraph, the total number of Shares which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as

at the date of approval of the 2015 Share Option Scheme (excluding any options which have lapsed in accordance with the terms of the 2015 Share Option Scheme or any other share option schemes of the Company) (the “Scheme Mandate Limit”).

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the Shareholders at a general meeting. Once refreshed, the total number of securities which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the 2015 Share Option Scheme and/or any other share option schemes, including without limitation any options which are outstanding, cancelled, lapsed or exercised, will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

Maximum entitlement of each Eligible Participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting.

The total number of Shares available for issue under the Share Option Scheme is 67,237,166 Shares, representing 6.77% of the total number of Shares in issue as at the date of this interim announcement.

Performance target

Unless otherwise determined by the Directors at their sole discretion, there is no performance target which must be satisfied or achieved before the Options can be exercised.

Minimum period for which an option must be held

Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which an Option must be held before such an Option can be exercised under the terms of the 2015 Share Option Scheme.

Subscription price of Shares

The Subscription Price must be at least the highest of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a Business Day; and (b) the average of the closing prices of the Shares as shown on the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share.

Amount payable upon acceptance of option

HK\$1.00 is payable by each Eligible Participant to the Company on acceptance of an Offer of an Option, which shall be paid within 21 days from the date of offer.

Time of exercise of option

An Option shall be exercisable at any time during an Option period to be notified by the Board to each grantee, provided that no Option shall be exercisable later than ten years after its date of grant.

Details of the share options movements during the Period under the 2003 Share Option Scheme and 2015 Share Option Scheme are as follows:

2003 Share Option Scheme

				Number of share options		
Name/category of participants	Date of grant of share option	Exercise price per Share (HK\$)	Exercise period	Balance as at 1 January 2019	Cancelled during the Period	Balance as at 30 June 2019
Directors						
William Xia GUO	07-04-09	0.435	07-04-10 to 06-04-19	858,000	858,000	0
Maria Xue Mei SONG	07-04-09	0.435	07-04-10 to 06-04-19	720,000	720,000	0
Employees and	07-04-09	0.435	07-04-10 to 06-04-19	1,982,800	1,982,800	0

consultants						
Total				3,560,800	(3,560,800)	0

2015 Share Option Scheme

Name/category of participants	Date of grant of share option	Exercise price per Share (HK\$)	Exercise period	Number of share options		
				Balance as at 1 January 2019	Cancelled during the Period	Balance as at 30 June 2019
Directors						
William Xia GUO	30-06-15	0.45	30-06-16 to 29-09-25 (Note)	9,150,000	0	9,150,000
Mark Gavin Lotter	30-06-15	0.45	30-06-16 to 29-09-25 (Note)	100,000	100,000	0
Maria Xue Mei SONG	30-06-15	0.45	30-06-16 to 29-09-25 (Note)	500,000	0	500,000
Michael SU	30-06-15	0.45	30-06-16 to 29-09-25 (Note)	220,000	0	220,000
Bin Hui NI	30-06-15	0.45	30-06-16 to 29-09-25 (Note)	100,000	0	100,000

Ling ZHEN	30-06-15	0.45	30-06-16 to 29-09-25 (Note)	100,000	0	100,000
Employees and consultants	30-06-15	0.45	30-06-16 to 29-09-25 (Note)	5,120,000	(1,350,000)	3,770,000
Total				15,290,000	(1,450,000)	13,840,000

Note : The Option may not be exercised within one year from 30 June 2015. The Option will vest (i) to the extent of a maximum of 40% of the Offered Shares on 30 June 2016; (ii) to the extent of a maximum of 70% of the Offered Shares on 30 June 2017; and (iii) to extent of all Offered Shares on 30 June 2018. The Options must be exercised in whole board lots of 20,000 Shares.

During the Period, 5,010,800 share options was cancelled, and no share option was lapsed, exercised and granted.

CORPORATE GOVERNANCE

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 six months ended 30 June 2019, with the exception for the following deviations:

Under code provision A.2.1, the responsibilities between chairman and chief executive officer should be separated. However, the chief executive officer of the Company has not yet been appointed. Currently, the day-to-day management of the Company's business is handled by the executive directors and senior management, who take the responsibility to run the Group's business and to implement the Group's strategy so as to achieve the overall commercial objectives of the Company.

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 directors should attend general meetings and develop a balanced understanding of the views of shareholders. Under the code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. During the Period, the annual general meeting of the Company was held on 28 June 2019 (the “AGM”), Mr. William Xia GUO (chairman of the Board) and the chairmen of the audit, remuneration and nomination committee 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. The Company will put its most effort in encouraging and ensuring the Directors including executive and non-executive Directors to attend the general meetings in the future.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has 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 Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors during the Period.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors’ information subsequent to the date of annual report for the year ended 31 December 2018, as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, are set out below:

<u>Name of Directors</u>	Details of Changes
Mr. Mark Gavin Lotter (“Mr. Lotter”)	resigned as an independent non-executive Director ceased to be the chairman of the remuneration committee of the Company, and a member of each of the audit committee and nomination committee of the Company with effect from 20 June 2019.
Mr. Ling Zhen	appointed as a member of the Audit Committee and as the chairman of the Remuneration Committee with effect from 20 June 2019.

AUDIT COMMITTEE

The audit committee of the Board (the “Audit Committee”) was established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and internal control system of the Group and provide advice and comments to the Board. The Audit Committee has three members comprising the three independent non-executive Directors, Mr. Rui QIU, Dr. Bin Hui NI and Mr. Ling ZHEN. Mr. Rui QIU is the chairman of the Audit Committee.

The Audit Committee has reviewed the financial statements of the Group for the six months ended 30 June 2019 pursuant to the relevant provisions contained in the code provisions and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By Order of the Board

William Xia GUO

Chairman

Beijing, 13 August, 2019

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

Executive Directors:

William Xia GUO

Maria Xuemei SONG

Non-Executive Directors:

Michael SU

Independent Non-Executive Directors:

Rui QIU

Bin Hui NI

Ling ZHEN