



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT 2019 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

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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 39,609,000 for the nine months ended 30 September 2019 (the “Period”) representing an increase of approximately 2.36% compared with the corresponding period of 2018.
2. The Group achieved profit before taxation of about RMB18,276,000 for the nine months ended 30 September 2019 representing an increase of approximately 2.70% compared with the corresponding period of 2018.
3. Basic earning per share is approximately 1.51 cents for the nine months ended 30 September 2019, representing an increase of approximately 2.01% compared with the corresponding period of 2018.
4. The Board does not recommend the payment of any interim dividends for the nine months ended 30 September 2019.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) is here to present the condensed unaudited consolidated third quarterly results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 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 nine months ended 30 September 2019

		Unaudited		Unaudited	
		Three months ended 30 September		Nine months ended 30 September	
	Notes	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Turnover	4	8,198	7,452	39,609	38,697
Cost of sales		(3,867)	(3,609)	(9,766)	(9,409)
Gross profit		4,331	3,843	29,843	29,289
Other income		(22)	59	1	(392)
Administrative expenses	5	(4,331)	(3,605)	(11,503)	(11,046)
Profit from operations		(23)	298	18,340	17,851
Finance costs		(21)	(23)	(65)	(56)
Profit before taxation		(43)	275	18,276	17,795
Income tax	7	(437)	(194)	(3,266)	(3,081)
Profit for the year		(480)	81	15,010	14,714
Attributable to :					
equity holders of the Company		(480)	81	15,010	14,714
Minority interests		-	-	-	-
Profit for the year		(480)	81	15,010	14,714
Earnings per share (cent)					
- basic	6	-0.05	0.01	1.51	1.48
- diluted	6	-0.05	0.01	1.51	1.48

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

As of 30 September 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	-	-	-	-	-	-	14,714	-	14,714
At 30 September									
2018	88,673	3,863	6,039	6,231	7,158	6,986	(98,432)	-	20,518
At 1 January 2019	88,673	3,920	6,039	6,231	9,620	6,986	(92,281)	-	29,188
Profit for the period	-	-	-	-	-	-	15,010	-	15,010
At 30 September									
2019	88,673	3,920	6,039	6,231	9,620	6,986	(77,271)	-	44,198

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 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 GEM 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 GEM 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

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 September		Unaudited nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Provision of contracted pharmaceutical development services (PDS)	4,717	-	4,717	-
Provision of post marketing surveillance, real-world study, medical science events, and medical marketing (PMS)	3,481	6,059	34,478	35,782
Other medical services		943	414	2,915
	<u>8,198</u>	<u>7,452</u>	<u>39,609</u>	<u>38,697</u>

The turnover for the Period increases 2.36% compared with the corresponding period of 2018. Moreover, turnover for the three months ended 30 September 2019 increased 10.01% 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		Nine months ended 30	
	September		September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	4,331	3,605	11,503	11,046

Administrative expenses increased about 4.14% compared with the corresponding period of 2018.

6. Earnings per share

Basic earnings per share is calculated by dividing the unaudited net profit approximately RMB15,010,000 (2018: RMB14,714,000) 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 Period 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 September 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 September		Unaudited Nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Income Tax				
-current period	<u>437</u>	<u>194</u>	<u>3,266</u>	<u>3,081</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 RMB39,609,000 during the period, representing an increase of approximately 2.36% compared with that in the corresponding period of last year.

The consolidated turnover included approximately RMB34,478,000 derived from the post marketing surveillance, real-world clinical research, medical science and medical market services (PMS), amounted to 87.05% of the total revenue. There was no Connected Transaction for the nine months ended 30 September 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 September 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 nine months ended 30 September 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 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 September 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	113,001,941	9,150,000	122,151,941	12.30
William Xia GUO	Corporate	Interest of a controlled corporation (Note 1)	348,828,873		348,828,873	35.14
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 September 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 September 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	348,828,873	35.14
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, and 4)	Beneficial owner and interest of controlled corporations	712,328,578	71.75

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 9,150,000 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 September 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.

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 nine months ended 30 September 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.

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 nine months ended 30 September 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.

NON-COMPLIANCE WITH FINANCIAL REPORTING PROVISIONS OF THE GEM LISTING RULES

On 1 April 2019, the Board announced that the Company was not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the annual results for the financial year ended 31 December 2018 (the “2018 Annual Results”); and (ii) publishing the related annual report

for the year ended 31 December 2018 (the “2018 Annual Report”). As such delay has constituted non-compliance with Rules 18.03, 18.48A and 18.49 of the GEM Listing Rules.

On 15 May 2019, the Board further announced that as a result of the delay in the publication of the announcement of the 2018 Annual Results and despatch of the 2018 Annual Report, the Company was also not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the first quarterly results for the three months ended 31 March 2019 (the “2019 First Quarterly Results”); and (ii) publishing the related first quarterly report for the three months ended 31 March 2019 (the “2019 First Quarterly Report”). As such delay has constituted non-compliance with Rules 18.66 and 18.79 of the GEM Listing Rules.

By Order of the Board

William Xia GUO

Chairman

Beijing, 13 November, 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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at <http://www.chgi.net>.