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)

(1) Clarification for Annoucement of annual results for the year ended 31 December 2019; and

(2) Announcement of annual results for the year ended 31 December 2019

Clarification for Annoucement of annual results for the year ended 31 December 2019

Reference is made to the announcement of China Health Group Inc.(the “Company”) dated on 10 March 2020 in respect of the annual results for the year ended 31 December 2019. The corrections are as follow:

The content of the announcement of annual results for the year ended 31 December 2019(Chinese Version) are corrected as follows:

1. Consolidated statement of changes in equity for the year ended 31 December 2019 on page 5, the total equity as of 1 January 2018 was revised from RMB(5,804,000) to RMB5,804,000, " These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position." shall be added after the form;
2. Add " The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below."in note 4(a) on page 13;
3. In note 7 on page 15, add " The Group's profit before tax is arrived at after charging:" below the heading;
4. Exchange of remuneration between Qiu Rui and LOTTER Mark Gavin in the original announcement of Directors' remuneration in note 8 on page 16;
5. Accumulated depreciation and impairment of Leasehold improvements as shown in note 13 on page 19 at 1 January 2018 and 31 December 2019 was revised from RMB5,652,000, RMB5,677,000 to RMB5,662,000, RMB5,667,000 respectively;
6. In note17 (c) on page 22, the amount payable by the related company is changed to the amount receivable by the related company;
7. The accumulated losses in note 23 (a) on page 26 at 31 December 2018 and 1 January 2019 was revised from RMB(156,326,000) to RMB(156,226,000);

8. Note 25 (a) on page 28

Before correction :	After correction :
於本年度 取消/註銷	於本年度 取消/註銷
(3,560,80)	(3,560,800)
(1,600,00)	(1,800,000)
(5,160,80)	(5,360,800)

9. Delete units of number of options in note 25 (b);
10. The number of cancellation/ lapsed lost share option issued on 30 June 2015 in 2019 was revised from 1,600,000 to 1,800,000, the total number of cancellation/ lapsed lost share option in 2019 was revised from 5,160,800 to 5,360,800, and the number of options at 31 December 2019 was revised from 13,690,000 to 13,490,000;
11. In the second paragraph of the Corporate Governance Report, the "company law"is revised to the "code" ;
12. Remove invisible watermark in the announcement;
13. Modify the format of other places;
14. There are no other corrections in Chinese version other than the above.

The content of the announcement of annual results for the year ended 31 December 2019(English Version) are corrected as follows:

1. The names of non-executive director and independent non-executive directors in note 8 on page 15 of the Announcement are amended as follows :

Before correction:	**After correction:**
Michael SU	SU Yi
Bin Hui NI	NI Binhui
Ling ZHEN	ZHEN Ling
Rui QIU	QIU Rui
Mark Gavin LOTTER	LOTTER Mark Gavin
Shou Yuan WU	WU Shouyuan

2. The number of cancellation/ lapsed lost share option issued on 30 June 2015 in 2019 was revised from 1,600,000 to 1,800,000, the total number of cancellation/ lapsed lost share option in 2019 was revised from 5,160,800 to 5,360,800, and the number of options at 31 December 2019 was revised from 13,690,000 to 13,490,000;
3. Delete units of number of options in note 25 (b);
4. Modification of some formats;
5. There are no other changes in English version other than the above.

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF 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-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annoucement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.

HIGHLIGHTS

1. The Group recorded a consolidated turnover of approximately RMB63,216,000 for the year ended 31 December 2019 (the "Year"), which represents approximately 6.1% increase from approximately RMB59,606,000 for the year ended 31 December 2018.

2. The Group recorded a profit before taxation of approximately RMB32,454,000 for the Year, as compared with a profit before taxation of approximately RMB27,668,000 for the year ended 31 December 2018.

3. The Group recorded an operating cash outflow before tax paid of approximately RMB77,000 for the Year, as compared with operating cash inflow of approximately RMB3,008,000 in year 2018.

4. The basic and diluted earnings per share is RMB2.8 cents in 2019, while basic and diluted earnings per share was RMB2.33 cents in year 2018.

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 2019 together with the comparative audited figures for the year ended 31 December 2018 as follows:

CHINA HEALTH GROUP INC.
中國醫療集團有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	63,216	59,606
Cost of services		(9,751)	(7,240)
Other income	6	32	143
Administrative expenses		(6,097)	(8,532)
Staff costs		(14,774)	(16,246)
PROFIT FROM OPERATIONS		32,626	27,731
Finance costs	7(a)	(172)	(63)
PROFIT BEFORE TAXATION	7	32,454	27,668
Income tax	10	(4,662)	(4,504)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,792	23,164
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity shareholders of the Company		27,792	23,164
		27,792	23,164
EARNINGS PER SHARE (RMB cents)	11		
- Basic		2.80	2.33
- Diluted		2.80	2.33

CHINA HEALTH GROUP INC.
中國醫療集團有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019	2018
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,172	3,301
Right-of-use assets	14	2,595	-
		4,767	3,301
CURRENT ASSETS			
Contract costs	16	25,176	11,108
Trade and bills receivables	17	58,557	41,399
Trade deposit paid	18	1,800	800
Prepayments, deposits and other receivables	19	12,473	3,181
Cash and cash equivalents		8,459	9,004
		106,465	65,492
CURRENT LIABILITIES			
Trade payables, other payables and accrued charges	20	38,006	29,916
Contract liabilities	16	52	367
Lease liabilities	21	88	-
Tax payable		12,076	7,822
Bank borrowings	22	1,500	1,500
		51,722	39,605
NET CURRENT ASSETS		54,743	25,887
TOTAL ASSETS LESS CURRENT LIABILITIES		59,510	29,188
NON-CURRENT LIABILITIES			
Lease liabilities	21	2,530	-
		2,530	-
NET ASSETS		56,980	29,188
EQUITY			
Equity attributable to owners of the Company			
Issued capital	23	88,673	88,673
Reserves		(31,693)	(59,485)
Total equity		56,980	29,188

CHINA HEALTH GROUP INC.
中國醫療集團有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company							
	Issued capital RMB'000	Share-based payment reserve * RMB'000	Special reserve * RMB'000	Capital reserve * RMB'000	Statutory reserve * RMB'000	Statutory enterprise expansion fund * RMB'000	Accumulated losses * RMB'000	Total equity RMB'000
At 1 January 2018	88,673	3,863	6,039	6,231	7,158	6,986	(113,146)	5,804
Profit and total comprehensive income for the year	-	-	-	-	-	-	23,164	23,164
Equity settled share-based transactions	-	220	-	-	-	-	-	220
Lapse of share options	-	(163)	-	-	-	-	163	-
Appropriations	-	-	-	-	2,462	-	(2,462)	-
At 31 December 2018	88,673	3,920	6,039	6,231	9,620	6,986	(92,281)	29,188
At 1 January 2019	88,673	3,920	6,039	6,231	9,620	6,986	(92,281)	29,188
Profit and total comprehensive income for the year	-	-	-	-	-	-	27,792	27,792
Cancellation/lapse of share options	-	(1,026)	-	-	-	-	1,026	-
Appropriations	-	-	-	-	3,118	-	(3,118)	-
At 31 December 2019	88,673	2,894	6,039	6,231	12,738	6,986	(66,581)	56,980

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CHINA HEALTH GROUP INC.

中國醫療集團有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	32,454	27,668
Adjustments for:		
Interest expenses	68	63
Bank interest income	(9)	(45)
Depreciation of property, plant and equipment	1,130	1,044
Depreciation of right-of-use assets	142	-
Unpaid lease liabilities	(223)	-
Lease interest	104	-
Equity settled share-based payment expenses	-	220
Operating profit before working capital changes	33,666	28,950
Increase in contract costs	(14,068)	(8,690)
Increase in trade and bills receivables	(17,158)	(22,508)
(Decrease)/increase in trade deposits paid	(1,000)	800
Increase in prepayments and other receivables	(9,292)	(2,367)
Increase in trade payables, other payables and accrued charges	8,090	6,838
Decrease in contract liabilities	(315)	(15)
Cash generated from operations	(77)	3,008
Income tax paid	(408)	(150)
Net cash (used in)/generated from operating activities	(485)	2,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1)	(1,594)
Interest received	9	45
Net cash generated/(used in) from investing activities	8	(1,549)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings	1,500	1,500
Repayment of loans	(1,500)	-
Interest paid	(68)	(63)
Net cash (used in)/generated from financing activities	(68)	1,437
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(545)	2,746
Cash and cash equivalents at beginning of year	9,004	6,258
Cash and cash equivalents at end of year	8,459	9,004

Notes:

Liabilities arising from financing activities include bank borrowings and lease liabilities. No reconciliation of liabilities arising from financing activities as, besides of above cash flow movements, there are no other changes or movements for those liabilities during the year ended 31 December 2019 and 2018.

1. GENERAL INFORMATION

China Health Group Inc. (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 and its shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and its principal place of business is at Boda Building, 28 Beiqing Road, Life Science Park, Zhongguancun, Changping District, Beijing, the People's Republic of China (the "PRC").

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 15 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. 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 Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases."

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company 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 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. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to the consolidated financial statements.

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.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Buildings	over the lease term of 1 to 20 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000 (approximately equivalent to HK$39,000).

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 category:

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. 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 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) 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 income

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 (reporting entity) 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 consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise.

(c) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Measurement of right-of-use assets and lease liabilities

The Group estimated the right-of-use assets and lease liabilities based on the terms of the rental agreements and the Group's incremental borrowing rate. Estimates are required in determining the Group's incremental borrowing rate.

5. OPERATING SEGMENT INFORMATION

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:

	2019 RMB'000	2018 RMB'000
Provision of post launch market research, medical and medical market services (the "PM services")	55,360	42,363
Provision of contracted pharmaceutical development services (the "PD services")	7,784	234
Provision of contracted clinical research services (the "CR services")	72	6,186
Sales of drugs technologies	-	10,377
Other medical services	-	446
	63,216	59,606

Other medical services include registration, application and testing services.

Disaggregation of revenue from contracts with customers:

	2019 RMB'000	2018 RMB'000
Major products/services		
Provision of PM services	55,360	42,363
Provision of PD services	7,784	234
Provision of CR services	72	6,186
Sales of drugs technologies	-	10,377
Other medical services	-	446
Total	63,216	59,606
Timing of revenue recognition		
At a point in time	63,023	58,941
Over time	193	665
Total	63,216	59,606

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 derived from its research to customers. Sales are recognised when control of the products have been 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:

	2019 RMB'000	2018 RMB'000
Provision of PM, PD and CR services and sales of patents and trademarks to Customer A	17,876	18,923
Provision of PM services to Customer B	14,528	21,760
Sales of drugs technologies to Customer C	-	7,547
Provision of PM and PD services to Customer D	18,868	-

6. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Bank interest income	9	45
Others	23	98
	32	143

7. PROFIT BEFORE TAXATION

The Group's profit before tax is arrived at after charging:

	2019 RMB'000	2018 RMB'000
(a) Finance costs		
Interests on:		
Lease interest	104	-
Bank borrowings	68	63
	172	63
(b) Staff costs (including directors' emoluments as disclosed in note 8)		
Salaries, bonuses and other benefits	11,710	13,388
Contributions to defined contribution retirement plans	3,064	2,638
Equity settled share-based payment expenses (note 25(c))	-	220
	14,774	16,246
(c) Other items		
Auditors' remuneration	680	680
Depreciation of property, plant and equipment	1,130	1,044
Depreciation of right-of-use assets	142	-
Minimum lease payments under operating lease in respect of buildings	-	171
Cost of services	9,751	7,240

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

Director’s emoluments disclosed pursuant to GEM Listing Rule and section 383 of the Hong Kong Companies Ordinance as follows:

	For the year ended 31 December 2019				
	Directors' Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Contributions to defined contribution retirement plans RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors:					
Mr. GUO Xia	-	-	-	-	-
Dr. SONG Xuemei	-	66	33	-	99
Non-executive directors:					
Mr. SU Yi	-	-	-	-	-
Independent non-executive directors:					
Dr. NI Binhui	-	-	-	-	-
Mr. QIU Rui	-	-	-	-	-
Mr. ZHEN Ling	-	-	-	-	-
Mr. LOTTER Mark Gavin (Resigned on 20 June 2019)	-	-	-	-	-
	-	66	33	-	99

	For the year ended 31 December 2018				
	Directors' Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Contributions to defined contribution retirement plans RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors:					
Mr. GUO Xia	-	-	-	102	102
Dr. SONG Xuemei	-	253	90	6	349
Non-executive directors:					
Mr. SU Yi	-	-	-	1	1
Independent non-executive directors:					
Dr. NI Binhui	-	-	-	1	1
Mr. LOTTER Mark Gavin	-	-	-	1	1
Mr. QIU Rui (Appointed on 12 February 2018)	-	-	-	-	-
Mr. ZHEN Ling (Appointed on 6 July 2018)	-	-	-	-	-
Dr. WU Shouyuan (Resigned on 12 February 2018)	-	-	-	-	-
	-	253	90	111	454

There were no arrangements under which a director waived or agreed to waive any emoluments in respect of the year ended 31 December 2019 (2018: Nil). During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

Of the five (2018: five) individuals with the highest emoluments, Nil (2018: one) individuals is director whose emoluments is disclosed in note 9. The aggregate of the emoluments in respect of the remaining five (2018: four) individuals are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries, bonuses and other benefits	874	899
Contributions to defined contribution retirement plans	77	82
Equity settled share-based payment expenses	-	4
	951	985

The emoluments of the five (2018: four) individuals with the highest emoluments are within the band of HK$Nil to HK$1,000,000 in both years.

10. INCOME TAX

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

	2019	2018
	RMB'000	RMB'000
Current — PRC Enterprise Income Tax		
Provision for the year	4,662	4,504
Over-provision in respect of prior years	-	-
Income tax expense	4,662	4,504

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits for the year ended 31 December 2019 (2018: 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:

	2019	2018
	RMB'000	RMB'000
Profit before tax	32,454	27,668
Notional tax on profit before taxation, calculated at the applicable tax rate of 25%	8,114	6,917
Tax effect of expenses that are not deductible	490	365
Preferential income tax rates applicable to subsidiaries	(4,528)	(2,110)
Tax effect of unused tax losses not recognised	586	184
Tax effect of utilisation of tax losses not recognised	-	(852)
Tax at the Group's effective rate	4,662	4,504

(c) Deferred tax not recognised

At 31 December 2019, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB1,055,000 (2018: approximately RMB7,918,000), 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.

11. 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 approximately RMB27,792,000 (2018: approximately RMB23,164,000) and the weighted average number of 992,772,000 (2018: 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 2019 and 2018.

12. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST:					
At 1 January 2018	5,672	18,926	645	-	25,243
Additions	-	126	-	1,468	1,594
Transfers	-	1,422	-	(1,422)	-
At 31 December 2018 and 1 January 2019	5,672	20,474	645	46	26,837
Additions	-	1	-	-	1
Disposal	-	(11)	-	-	(11)
At 31 December 2019	5,672	20,464	645	46	26,827
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
At 1 January 2018	5,662	16,272	558	-	22,492
Charge for the year	5	1,020	19	-	1,044
At 31 December 2018 and 1 January 2019	5,667	17,292	577	-	23,536
Charge for the year	-	1,130	-	-	1,130
Disposal	-	(11)	-	-	(11)
At 31 December 2019	5,667	18,411	577	-	24,655
CARRYING AMOUNTS:					
At 31 December 2018	5	3,182	68	46	3,301
At 31 December 2019	5	2,053	68	46	2,172

14. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2019 RMB'000
Right-of-use assets	2,595

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

	2019 RMB'000
Less than 1 year	223
Between 1 and 2 years	223
Between 2 and 5 years	670
Over 5 years	2,960
	4,076

Depreciation charge of right-of-use assets	142
Lease interests	104
Total cash outflow for leases	-

The lease is entered with a related company, in which a director of the Company, Mr. GUO Xia, has significant influence.

The Group leases various buildings. Lease agreements are typically made for fixed periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

15. SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31 December 2019 are set out below:

			Proportion of ownership interest			
Company name	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Venturepharm Laboratories (BVI) Limited ("VP (BVI)")	British Virgin Islands ("BVI")	US$100	100%	100%	-	Investment holding
Venovo Pharma US Inc	BVI	US$1	100%	100%	-	Investment holding
VPSCRO Group Inc.	BVI	US$1	100%	100%	-	Inactive
北京德眾萬全醫藥科技有限公司	The PRC	US$200,000	100%	100%	-	Research and development of drugs, natural drugs and synthetic drugs; technological transfer of and services for the research and development of biodrugs, natural drugs and synthetic drugs; pharmacodynamics and clinical research of drugs; Provision of PM services and PD services

北京萬全陽光醫學技術有限公司	The PRC	US$200,000	100%	-	100%	Research and development of drugs, natural drugs and synthetic drugs; technological transfer of and services for the research and development of biodrugs, natural drugs and synthetic drugs; pharmacodynamics and clinical research of drugs; Provision of PM services and PD services
北京萬全陽光醫藥科技有限公司	The PRC	US$200,000	100%	-	100%	Research and development of drugs, natural drugs and synthetic drugs; technological transfer of and services for the research and development of biodrugs, natural drugs and synthetic drugs; pharmacodynamics and clinical research of drugs; Provision of PM services and PD services
北京德眾萬全藥物技術開發有限公司	The PRC	US$865,000	100%	-	100%	Research and development of drugs, natural drugs and synthetic drugs; technological transfer of and services for the research and development of biodrugs, natural drugs and synthetic drugs; pharmacodynamics and clinical research of drugs; Provision of PM services and PD services
泰州萬全醫藥科技有限公司	The PRC	RMB1,000,000	100%	-	100%	Research and development of drugs, natural drugs and synthetic drugs; technological transfer of and services for the research and development of biodrugs, natural drugs and synthetic drugs; pharmacodynamics and clinical research of drugs; Provision of PM services and PD services
海南盛科生命科學研究院	The PRC	US$360,000	100%	-	100%	Research and development of drugs, natural drugs and synthetic drugs; technological transfer of and services for the research and development of biodrugs, natural drugs and synthetic drugs; pharmacodynamics and clinical research of drugs; Provision of PM services and PD services
漢中漢江萬全醫藥化工有限公司	The PRC	US$600,000	51%	-	51%	Inactive
西藏萬全醫學技術有限公司	The PRC	RMB1,000,000	100%	-	100%	Research and development of drugs, natural drugs and synthetic drugs; technological transfer of and services for the research and development of biodrugs, natural drugs and synthetic drugs; pharmacodynamics and clinical research of drugs; Provision of PM services and PD services
重慶拜敏醫藥科技有限公司	The PRC	RMB2,000,000	100%	-	100%	Inactive

16. CONTRACT COSTS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 1 January 2018 RMB'000
Total contract costs	25,176	11,108	2,418
Total contract liabilities	52	367	382
Contract receivables (included in trade receivables)	49,557	36,899	18,122
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
- 2019	-	3,318	
- 2020	7,520	133	
	7,520	3,451	

Year ended 31 December	2019 RMB'000	2018 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	367	382

Significant changes in contract liabilities during the year:

	2019 Contract liabilities RMB'000	2018 Contract liabilities RMB'000
Increase due to operations in the year	52	367
Transfer of contract liabilities to revenue	(367)	(382)

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 fulfill contracts with customers, mainly service fees to 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.

17. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	49,557	36,899
Bills receivables	9,000	4,500
	58,557	41,399

Included in trade receivables of the Group as at 31 December 2019 is the trade receivable from a related company of approximately RMB15,716,000 (2018: approximately RMB14,817,000), 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. GUO Xia, has significant influence.

(a) Aging analysis

The Group normally grants 30 days (2018: 30 days) credit period to its customers since the invoice date. The bills receivable as at 31 December 2019 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 aging analysis of trade and bills receivables, based on the goods delivered or services rendered date and net of allowances for doubtful debts, is as follows:

	2019 RMB'000	2018 RMB'000
Within 30 days	55,328	21,337
31 to 60 days	-	2,524
61 to 90 days	-	2,078
91 to 365 days	3,160	15,391
Over 365 days	69	69
	58,557	41,399

(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
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019					
Expected loss rate	0%	0%	0%	0%	0%
Receivable amount	46,328	-	3,160	69	49,557
Loss allowance	-	-	-	-	-
At 31 December 2018					
Expected loss rate	0%	0%	0%	0%	0%
Receivable amount	36,537	-	293	69	36,899
Loss allowance	-	-	-	-	-

(c) Amount due from a related company

The amount due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

	As at 31 December 2019	As at 31 December 2018	Maximum amount outstanding during the year 2019	Maximum amount outstanding during the year 2018
	RMB'000	RMB'000	RMB'000	RMB'000
万特制药（海南）有限公司	15,716	14,817	15,716	14,817

The amount due from a related company 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. GUO Xia, has significant influence.

18. 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.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Details of the prepayments, deposits and other receivables are as follows:

	2019	2018
	RMB'000	RMB'000
Prepayment	11,193	2,256
Value-added tax recoverable	281	281
Advances to staff for business trips	411	440
Amounts due from directors	82	81
Other receivables	506	123
	12,473	3,181

(a) Amount due from a director

The amount due from a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

	As at 31 December	As at 31 December	Maximum amount outstanding during the year	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Dr. SONG Xuemei	82	81	82	81

The amount due from a director is non-trade related, unsecured, interest-free and repayable on demand.

20. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	Notes	2019 RMB'000	2018 RMB'000
Trade payables	(a)	6,844	1,286
Litigation claims payables	(b)	12,895	12,983
Accrued staff costs, welfare and benefits		2,182	2,436
Value-added tax and sundry taxes payable		4,937	3,207
Others	(c)	11,148	10,004
		38,006	29,916

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) Aging analysis

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

	2019 RMB'000	2018 RMB'000
Within 30 days	58	1,001
31 to 90 days	2,680	102
91 to 365 days	3,880	140
Over 365 days	226	43
	6,844	1,286

(b) 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.

(c) Included in other payables of the Group as at 31 December 2019 is the lease payable to a related company of approximately RMB223,000 (2018: Nil), which is unsecured, interest-free and repayable on demand. The related company is an entity in which a director of the Company, Mr. GUO Xia, has significant influence.

21. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	223	-	88	-
In the second to fifth years, inclusive	893	-	403	-
After five years	2,960	-	2,127	-
	4,076	-	2,618	-
Less: Future finance charges	(1,458)	-		
Present value of lease liabilities	2,618	-		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(88)	-
Amount due for settlement after 12 months			2,530	-

At 31 December 2019, the average effective borrowing rate was 5.22%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

Lease liabilities are related to leases with a related company, which a director of the Company, Mr. GUO Xia, has significant influence.

22. BANK BORROWING

	2019 RMB'000	2018 RMB'000
Bank loan	1,500	1,500

The loan was unsecured, interest-bearing at the Loan Prime Rate of Beijing Bank plus 91 points and was guaranteed by a director of the Company, Dr. SONG Xuemei . The effective interest rate during the year ended 31 December 2019 was 5.22% (2018: 5.22%) per annum and repayable within one year.

23. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share-based payment reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	3,863	6,139	28,011	(154,829)	(116,816)
Loss and total comprehensive loss for the year	-	-	-	(1,560)	(1,560)
Equity settled share-based transactions	220	-	-	-	220
Cancellation/lapse of share options	(163)	-	-	163	-
At 31 December 2018 and 1 January 2019	3,920	6,139	28,011	(156,226)	(118,156)
Loss and total comprehensive loss for the year	-	-	-	(1,959)	(1,959)
Cancellation/lapse of share options	(1,026)	-	-	1,026	-
At 31 December 2019	2,894	6,139	28,011	(157,159)	(120,115)

(b) Issued share capital

	2019		2018	
	Number of Shares'000	RMB'000	Number of Shares'000	RMB'000
Ordinary shares, issued and fully paid				
At 1 January and 31 December	992,772	88,673	992,772	88,673

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Special reserve

The special reserve represents the differences between the nominal value of the shares of VP (BVI) (a holding company of the other members of the Group prior to the group reorganisation) and the nominal value of the Company's shares issued pursuant to the group reorganisation.

(ii) Capital reserve

The capital reserve represents the additional contributions made by the shareholders of the Company and the additional contributions made by the non-controlling shareholder of the subsidiary of the Company prior to the listing of the Company's shares on The Growth Enterprise Market of the Stock Exchange. It also includes the premium of the issued share capital of the Company.

(iii) Statutory reserve and statutory enterprise expansion fund

Pursuant to the PRC regulations and the Articles of Association and Board regulations of the subsidiaries of the Company, each of the subsidiary is required to transfer 10% of its net profit, as determined under PRC accounting regulations, to a statutory reserve until the fund aggregates 50% of each of the subsidiary registered capital. The transfer to this reserve must be made before distribution of any dividends to shareholders. The statutory reserve shall only be used to make good of previous years' losses, to expand the subsidiary's production operations or to increase the capital of the subsidiary. Upon approval by a resolution at a shareholder's general meeting, the subsidiary may transform its statutory reserve into share capital and issue bonus share to existing shareholders in proportion to their original shareholdings or to increase the nominal value of each share currently held by them, provided that the balance of the reserve fund after such issue is not less than 25% of the registered capital. Moreover, the subsidiaries of the Company established in the PRC can transfer certain percentage of their profit after taxation on voluntary basis, as determined under the PRC accounting regulations to the enterprise expansion fund.

(iv) Contributed surplus

The contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to the Group Reorganisation.

The Company' reserves available for distribution to its shareholders comprise the capital reserve and contributed surplus. In accordance with the Company's Articles of Association, dividends shall be payable out of profits or other reserves of the Company. Under the Companies Law of the Cayman Islands, the Company must be able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of any dividends.

24. 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% (2018: 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.

25. 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:

2019

Grant date	Exercise price	Notes	At 1 January 2019	Cancellation/ lapsed during the year	At 31 December 2019
7 April 2009	HK$0.435	(i)	3,560,800	(3,560,800)	-
30 June 2015	HK$0.45	(ii)	15,290,000	(1,800,000)	13,490,000
			18,850,800	(5,360,800)	13,490,000

2018

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

Notes:

(i) These options were exercisable within the period commencing from 7 April 2009 to 6 April 2019. The options lapsed on 6 April 2019.

(ii) 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:

	2019		2018	
	Weighted average exercise price HK$	Number of options	Weighted average exercise price HK$	Number of options
Outstanding at the beginning of the year	0.447	18,850,800	0.447	19,778,800
Cancellation/lapsed during the year	0.44	(5,360,800)	0.448	(928,000)
Outstanding at the end of the year	0.45	13,490,000	0.447	18,850,800
Exercisable at the end of the year	0.45	13,490,000	0.447	18,850,800

The option outstanding as at 31 December 2019 had their exercise price of HK$0.45 (2018: HK$0.435 and HK$0.45) and a weighted average remaining contractual life of 5.49 years (2018: 5.32 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 modelling under binomial lattice model)	89.29%
Option life (expressed as weighted average life used in modelling 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 approximately RMB111,000 and approximately RMB109,000 respectively were recognised in profit or loss arising from options vested during the year.

26. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group wholly related to amounts paid to the Company's directors, as disclosed in note 8.

(b) Other related parties transactions

In addition to the financial arrangement dealt with a director of the Company as mentioned in note 22, the Group entered into the following material related party transactions during the year:

	2019	2018
	RMB'000	RMB'000
Lease payment to a related company	223	-
Income for PM services from a related company (Note)	14,528	21,760

Note:
A related company is an entity in which a director of the Company, Mr. GUO Xia has significant influence.

(c) Details of balances with related parties are disclosed in notes 17 and 20.

27. CONTINGENT LIABILITIES IN RESPECT OF LITIGATION CLAIMS

As of 31 December 2019, certain 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 as disclosed in note 20(b). Accordingly, there will be no significant impact to the financial status of the Group.

28. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged from prior years.

The Group actively and regularly reviews and manages its capital structure to ensure it is effective and optimises shareholder returns, taking into consideration the future capital requirements of the Group prevailing and projected capital expenditure and projected investment opportunities.

In order to maintain or adjust the capital structure, the Group may consider the amount of dividends paid to shareholders, the return of capital to shareholders, the issue of new shares or selling assets to reduce debt.

The Group assesses the total equity/deficiency presented on the face of the consolidated statement of financial position for capital management purposes.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, the Group has policies in place to ensure credit is granted to customers with appropriate credit history and good reputations through evaluations on customer past history of making payments when due and have the ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which they operate. Trade and bills receivables are due within 30 days (2018: 30 days) from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has a concentration of credit risk on its five largest customers (2018: three largest customers) and the largest customer which represent 90% (2018: 93%) and 32% (2018: 48%) of the total trade receivables balance respectively.

The credit risk on cash and cash equivalents is limited because the counterparties are authorised financial institutions with sound credit ratings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairments or allowances.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

2019

	Contractual undiscounted cash flows	
	Within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Trade payables, other payables and accrued charges	38,006	38,006
Bank borrowings	1,514	1,500

2018

	Contractual undiscounted cash flows	
	Within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Trade payables, other payables and accrued charges	29,916	29,916
Bank borrowings	1,514	1,500

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits and bank borrowing. The bank deposits and borrowings bear interest at variable rates and expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile is monitored by management.

Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in the interest rates, with all other variables held constant, it would have increased/decreased the Group's profit after tax and accumulated losses by approximately RMB70,000 (2018: decreased/increased the Group's profit after tax and increased/decreased of accumulated losses by approximately RMB65,000).

The sensitivity analysis above has been determined assuming that changes in interest rates occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of reporting period. The analysis is performed on the same basis for 2018.

(d) Categories of financial instruments

	2019	2018
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	69,815	51,847
Financial liabilities:		
Financial liabilities at amortised cost	39,506	31,416

(e) Currency risk

The Group is not exposed to significant foreign currency risk as most of income and expenses are denominated in the functional currency of the Group.

(f) Fair values

All financial instruments approximate their respective fair values as at 31 December 2019 and 2018.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	-	-
	-	-
CURRENT ASSETS		
Prepayments, deposits and other receivables	88	88
Cash and cash equivalents	184	2,445
	272	2,533
CURRENT LIABILITIES		
Other payables and accruals	5,327	5,629
Amounts due to subsidiaries	26,387	26,387
	31,714	32,016
NET CURRENT LIABILITIES	(31,442)	(29,483)
NET LIABILITIES	(31,442)	(29,483)
EQUITY		
Issued capital	88,673	88,673
Reserves	(120,115)	(118,156)
Total equity	(31,442)	(29,483)

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded a revenue of approximately RMB63,216,000 for the Year, which represents approximately 6.1% increase from approximately RMB59,606,000 in 2018. Among them, revenue from post-marketing research and academic extension services are about RMB55,360,000 accounting for 87.57% of total revenue; revenue from contractual clinical research services are about RMB72,000, accounting for 0.1% of total revenue; revenue from provision of contracted pharmaceutical development services are about RMB7,784,000, accounting for 12.31% of total revenue; (a) clinical research is one of the four growth driving platforms that the 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 87.57%; (b) the Group's business of provision of contracted pharmaceutical development services also increased considerably in this Year, with the contribution of revenue accounting for 12.31%, an increase of 3,326% over last year.

The Group recorded a profit before taxation of approximately RMB32,454,000, for the Year, as compared with profit before taxation of approximately RMB27,668,000 in the corresponding period last year. Net profit in 2019 was approximately RMB27,792,000, and in 2018 was approximately RMB23,164,000. 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 RMB20,871,000 for the Year and the corresponding period last year is approximately RMB24,778,000.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2019, the Group's net current assets and its net assets were approximately RMB54,743,000 (2018: approximately RMB25,887,000) and approximately RMB56,980,000 (2018: approximately RMB29,188,000) respectively.

The gearing ratio was approximately 1.35% as at 31 December 2019 (2018: approximately 2.18%). The gearing ratio is derived by dividing the total of borrowings by total assets. The gearing ratio has decreased for the Year when compared to 31 December 2018 because total borrowings unchanged, total assets increased.

During the Year, the Group financed its operations with its own working capital and bank borrowings. As at 31 December 2019, the secured bank borrowing of the Group was approximately HK$1,650,000 (2018: approximately HK$1,650,000), in which approximately HK$1,650,000 (2018: approximately HK$1,650,000) are repayable within a period of not exceeding 5 years and there is no secured bank borrowing repayable beyond 5 years (2018: Nil), and there was no other borrowing as at 31 December 2019 (2018: Nil).

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.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

BUSINESS REVIEW

This winter, a novel coronavirus disease epidemic raged, the rapid increase in confirmed cases, Wuhan's sealed City, more than 70 countries in the world have not been spared. No one, no country can be the real embodiment of the global village, so that every enterprise is undergoing great changes. We are very glad that the business transformation started at the end of 2018, so that we are proud to announce our performance in 2019 and would like to review it as follows：

The Company proposes two models in the epidemic situation and the new era of medical treatment. 1. "Research based treatment RWS therapy model" is to carry out clinical and big data research on Five specialty clinical through real world clinical research, guide drug treatment in the research, and obtain medical big data guidance research in the treatment. 2. The D-CRCO model (Digital-Clinical Research Commercialization Organization) is a digital clinical research promotion platform. It uses big data clinical research to precisely enable the commercialization of products. These two models will redefine research-based treatment and research-based promotion to replace traditional treatment and commercialization.

Novel coronavirus has a grand plan for scientific research service. It is a sure card to reorganize and organize existing medicines through the big data real clinical research, and find the best treatment for RWS. We found that a novel coronavirus (2019-nCoV) was inhibited by Lito Bernard Vee and Ritonavir and proved to be effective in patients.

The Company has set up a biological sample testing laboratory, which is equipped with Waters UPLC-MS/MS.Xevo TQS and is officially open to the public. The lab mainly serves clinical research, especially clinical trials of antiviral drugs.

In terms of big data medical services, we have established research digital special area medical diagnosis with many top medical institutions in Beijing, Shanghai, Guangzhou and other places, as well as the top 100 chain and digital medical groups such as Gaoji medical, haiwangxingchen, micro medical group and miaozhou medical group, such as yuequit smoking research and treatment specialty, Hein psychological research and treatment specialty, baimin fever and cough research and treatment specialty, disease resistance and treatment specialty Poison research and treatment areas will play an important role in the epidemic and post epidemic era.

Around the core treatment field, we have built a digital medical terminal service complex under the Internet architecture, forming a closed-loop system from scientific research to rehabilitation. 1. From hospital big data clinical research to digital scientific research product promotion service, 2. To jointly build digital research clinical research specialty, 3. To self-supporting O2O special specialty medical diagnosis, 4. To explore rehabilitation medical and tourism medical services.

PROSPECTS

The Company's management believes that there are three areas of high concern during and after the outbreak: Tobacco addictive diseases, epidemic depression and allergic diseases of epidemic environment and epidemic drugs. These complications lead to more terrible deaths and medical expenses.

As a result of these outbreaks, The Company will obtain extraordinary growth from post market clinical research (PMS), real digital clinical research (RWS), digital medical marketing and other activities (ADP) and the establishment of three major specialized medical services.

1. Wuhan virus reported that the first several deaths were long-term smokers. A Middle East pneumonia (also known as coronavirus pneumonia) in early South Korea also confirmed that the death rate of smokers was far higher than that of non-smokers. According to the health China action issued by the State Council, one in three smokers dies of cancer, and the average life span of smokers is 10 years shorter than that of non-smokers. China has nearly 400 million smokers and 700 million second-hand cigarettes.

The Company's "Yue quit smoking research and treatment specialty" has been established with top medical institutions, China Japan Friendship Hospital, Shanghai Ruijin Hospital and micro medicine Ping'an good doctor and other famous entities cooperate with the Internet Hospital; the core product is Yueting and Guoyao Zhunzi patented smoking cessation products produced by affiliated enterprises; in the treatment of smoking cessation and lung protection, we use Kalinin to treat expectoration and asthma, and prevent COPD raw materials and preparations produced by affiliated enterprises of our group.

2. There will be an outbreak of epidemic depression in both the epidemic and post epidemic era. The group clinical center has set up a "Hearn psychological research and treatment zone" in multiple medical institutions, and has also urgently selected a batch of drugs suitable for post epidemic era treatment of psychological trauma and stress disorder from related companies. Levostine, an antidepressant not affecting the quality of life (ED obesity), Quyou for stress disorder and anxiety, McVeigh for depression with anxiety accompanied by insomnia, Anyun, a non addictive and non hangover insomnia drug.

3. Due to the large amount of drug use and the use of environmental cleaners during the outbreak, drug allergy, fever, cough and asthma diseases are increasing. We have established "baimin fever and cough research and treatment zone" in many Internet drug clinics, such as expert doctors. To establish a standard diagnostic method to distinguish fever and cough in allergic or non viral infection. Train doctors how to identify allergic fever and cough, how to use Bai Wei Qing Bai Xin ha Bai Wei ha to treat allergic rhinitis and cough, fever caused by cold, etc.

As an R & D digital medical enterprise, the group has established a database of pharmaceutical research clinical research, big data marketing and research to ensure our core competitiveness. At the same time, we use these medical big data and product groups to establish RWS real world clinical research cooperation with many Internet hospitals and drug clinics.

With the implementation of many measures of China's new medical reform and the arrival of the era of digital economy, we believe that the company's 15 years focus on three major disease areas will generate a huge momentum, promote the company's business growth, and take off again with China! Create greater wealth value and social value for customers, employees and shareholders.

SIGNIFICANT INVESTMENT

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

CAPITAL COMMITMENT

As of 31 December 2019, the Group did not have any significant capital commitment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the Year, the Group did not carry out any material acquisitions and disposals in respect of subsidiaries and associates.

CHARGE ON ASSETS

As at 31 December 2019, the total banking facilities available to the Group amounted to RMB1,500,000 (2018: RMB1,500,000), of which RMB1,500,000 had been utilised and secured by personal guarantee. The details are set out in the note 22 to the consolidated financial statements.

As at 31 December 2019 and 2018, the Group did not charge on any of its assets.

CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

During the Year, there had been no changes in the Company's capital (including ordinary shares and capital reserve) structure. As at 31 December 2019, the issued shares amounted to about 992,772,000.

EVENT AFTER THE REPORTING PERIOD

There was no significant disclosable event after the Year.

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.

EMPLOYEE AND REMUNERATION POLICY

During the Year, staff cost, including directors' remuneration is approximately RMB14,774,000 (2018: approximately RMB16,246,000). 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 been granted to the eligible participants of the Group.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

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 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 the code provision A.6.7, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Under the code provision E.1.2, 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 Year, the annual general meeting of the Company was held on 28 June 2019 (the "AGM"), Mr. GUO Xia (chairman of the Board) and all the independent non-executive Directors (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. GUO Xia and the independent non-executive Directors have appointed the other attended Director, Dr. SONG Xuemei, as their 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.

RULE 5.05(1) OF THE GEM LISTING RULES

Under 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.

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

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

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

AUDIT COMMITTEE

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.

During the Year and up to the date of this announcement, the members of the Audit Committee have been and are:

QIU Rui (Chairman)
NI Binhui
LOTTER Mark Gavin (resigned on 20 June 2019)
ZHEN Ling

During the Year, the Audit Committee reviewed, assessed and commented on the audited consolidated financial statements for the year ended 31 December 2018, the unaudited consolidated financial statements for the three months ended 31 March 2019, six months ended 30 June 2019 and nine months ended 30 September 2019, respectively. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group, the continuing connected transactions and the policy on anti-money laundering and counter-terrorist financing. The preparation of the consolidated results is in compliance with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure has been made.

The Group's unaudited consolidated quarterly, interim results and audited consolidated annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This 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 2019 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 19 March 2020

As at the date hereof, the Board comprises two executive directors, being Mr. GUO Xia and Dr. SONG Xuemei; one non-executive director, being Mr. SU Yi; and three independent non-executive directors, being Mr. QIU Rui, Dr. NI Binhui and Mr. ZHEN Ling.

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