China Health Group Limited
中國衛生集團有限公司

(Carrying on business in Hong Kong as CHG HS Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 673)

RESULTS OF INTERNAL CONTROL REVIEW

This announcement is made by China Health Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 4 March 2025 (the "**Announcement**") in respect of, among others, the remedial measures taken by the Group to ensure that the Listing Rules are strictly complied with. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

INTERNAL CONTROL REVIEW

As disclosed in the Announcement, as part of the remedial measures taken by the Group, the Company hired professional consultants to review its internal controls in respect of compliance with the Listing Rules and provide recommendations to enhance the Company's internal control procedures with a view to ensuring an effective and sufficient internal control procedures for the Group in such respect (the "**IC Review**").

Scope

The Company had engaged PRO-WIS Risk Advisory Services Limited (the "**IC Consultant**") on 20 February 2025 as its independent internal control consultant to conduct the IC Review for the period commencing from 1 April 2024 to 31 March 2025 (the "**Review Period**") with the scope summarised as follows:

1. review the internal control systems of the Company in respect of ensuring compliance with the Listing Rules (including applicable guidelines and appendices thereto);

2. conduct discussions with management ("**Management**") and employees of the Company and conduct walk-through and sampling tests to understand the implementation of Company's internal control policies and procedures in respect of Chapters 13 "Continuing Obligations", 14 "Notifiable Transactions" and 14A "Connected Transactions" of the Listing Rules during the Review Period; and

3. identify any significant findings and make recommendations for improvement in respect of the Company's internal control policies and procedures.

The IC Consultant is an independent risk advisory firm which has extensive experience in reviewing and advising on internal controls and corporate governance of companies listed on the Stock Exchange.

The IC Consultant has expertise in serving as an internal control reviewer of a number of companies listed on the Stock Exchange across various sectors, such as healthcare, property development, education, industrial manufacturing and textile and clothing industries. It also possesses experience conducting similar internal control review cases in respect of non-compliance with the Listing Rules. Its team holds relevant professional qualifications, including Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor and Members of Hong Kong Associate Corporate Governance.

Having considered the above, the Board is of the view that the IC Consultant is a suitable and qualified consultancy firm possessing the requisite capability and experience to conduct the IC Review.

Key findings

The key findings identified by the IC Consultant in the IC Review, corresponding recommendations, the Company's response and the remediation status are summarised as follows:

Key findings	Recommendation(s)	Company's response and the remediation status
1. Need to strengthen and integrate Listing Rules compliance manuals		
The Group currently has the following policies in place in relation to the Listing Rules, including: • "Corporate Governance Policy" (approved on 1 April 2019) • "Shareholders Communication Policy" • "Continuous Disclosure and Communication Policy" • "Whistle-blower Policy, System and Procedures"	(i) The Company should supplement its written procedures on notifiable transactions, connected transactions, financial information disclosure process, approval process for submitting responses to the Stock Exchange, approval process for releasing announcements to the public, and continuous training on the Listing Rules as soon as possible. At the same time, the Group should collect and integrate the various policies of the Group to effectively control them. The policies should be issued to each director and employee after obtaining appropriate approval.	The Company accepts the recommendation and will: (i) supplement its written policies in respect of Listing Rules compliance, to ensure the effective communication of Listing Rules requirements and the Group's work processes for compliance with the Listing Rules to all employees; (ii) update its Corporate Governance Policy in accordance with Appendix C1 of the Listing Rules, to ensure all employees are aware of the latest corporate governance policies and continue to comply with the relevant requirements; (iii) supplement the materiality guidelines in its Continuous Disclosure and Communication Policy, to ensure that employees have clear guidance on which matters may be price sensitive and/or require disclosure;

Key findings	Recommendation(s)	Company's response and the remediation status
Among them, the IC Consultant found the following: (i) No written procedures have been established for notifiable transactions, connected transactions and financial information disclosure process, review and approval process for submission of responses to the Stock Exchange, review and approval process for release of announcements to the public, and continuous training on the Listing Rules. As there is currently no written system in place regarding notifiable transactions, connected transactions, financial information disclosure procedures, the approval process for submitting responses to the Stock Exchange, the approval process for issuing announcements to the public, and continuous training on Listing Rules, it is difficult to effectively convey Listing Rules requirements and the Group's work processes for compliance with the Listing Rules to employees.	(ii) The Company should update its Corporate Governance Policy as soon as possible in accordance with Appendix C1 of the Listing Rules, i.e. the Corporate Governance Code (the "**CG Code**"). (iii) The Company should supplement and list out the matters in materiality guidelines contained in the Continuous Disclosure and Communication Policy. (iv) The Company should provide Chinese translations of the English policies (Corporate Governance Policy, Shareholders Communication Policy and Continuous Disclosure and Communication Policy) for directors and employees to review. (v) The Company should prepare a acknowledgement letter as soon as possible and provide it to all Directors and employees for signature to ensure that everyone understands and agrees to comply with the Group's policies.	(iv) provide Chinese translations of all of its policies and procedures to the Directors and employees, to ensure their clear understanding thereof; and (v) prepare acknowledgement letters for signing by Directors and employees to ensure their clear understanding and compliance with the Group's policies. All of the above is expected to be completed within 6 weeks.

Key findings	Recommendation(s)	Company's response and the remediation status
(ii) The Corporate Governance Policy has not been updated since it was approved on 1 April 2019. As the Corporate Governance Policy system has not been updated in a timely manner, it is difficult to ensure that everyone is aware of the relevant changes in a timely manner and continues to comply with the policy. (iii) No specific details stating which matters are included in materiality guidelines contained in the Continuous Disclosure and Communication Policy. As the Continuous Disclosure and Communication Policy does not specify what matters are included in the materiality guidelines, it is difficult to effectively inform employees which matters are price sensitive or require disclosure. (iv) The Corporate Governance Policy, Shareholders Communication Policy and Continuous Disclosure and Communication Policy are only available in English, and currently the Group's Directors and employees are mainly located in China. As such, it is difficult to ensure that everyone clearly understands the Company's policies without a Chinese version of such policies.		

Key findings	Recommendation(s)	Company's response and the remediation status
(v) The Group did not require Directors and employees to sign acknowledgement to confirm that they understand and agree to comply with the relevant policies of the Group. As a result, it is difficult to ensure that everyone clearly understands the requirements for compliance with the Listing Rules and the Company's policies.		
2. No policy for preserving Directors' responses to meeting minutes		
The company secretary currently provides meeting minutes, reports on material contracts and daily communications with directors mainly through instant messaging apps/emails. The attendance list and meeting minutes of the Board and the various Board committees are signed by the chairman of the meeting on behalf of the Board or the committee members, as the case may be. As the Directors' replies on instant messaging apps/emails are not individually recorded and meeting minutes are signed by the chairman of such meeting, it is difficult to determine whether the members of the Board/Board committees have reviewed and agreed to the contents of the meeting minutes.	After receiving the meeting minutes, the Directors attending the meeting should reply whether they have any comments on the content, and a record of the reply should be kept. For other minor matters, the Company may consider establishing a written policy to stipulate that if the Directors have any comments on the content mentioned in the instant messaging apps/emails, they should reply within a specified reasonable time.	The Company accepts the recommendation and will establish a system to record replies from Directors attending Board or Board committee meetings, to ensure clear record keeping of which members of the Board/Board committees have reviewed and agreed to the contents of the meeting minutes. For other minor matters, the Company will adopt a policy requiring Directors to provide comments within 2 weeks from the circulation of information. The above remediation is completed.

Key findings	Recommendation(s)	Company's response and the remediation status
3. No signed confirmation that the list of connected persons is complete and up to date.		
Directors have not been asked to sign a confirmation that the list of connected persons provided is complete and up to date. In addition, the connected persons list is not regularly distributed to key personnel of the Group's subsidiaries to ensure timely identification of connected transactions. Since Directors were not required to sign a confirmation letter stating the completeness and update of the list of connected persons, the Company may not be able to accurately identify all connected persons. This may result in connected transactions not being fully and accurately disclosed. At the same time, the list of connected persons is not regularly issued to the responsible personnel of the Group's subsidiaries, making it difficult for them to identify connected transactions in a timely manner in their daily operations. Subsidiaries may therefore unwittingly engage in transactions with connected persons.	The Company should request all Directors to sign a confirmation as soon as possible, stating that the list of connected persons provided is complete and up-to-date. A regular review mechanism should be established, such as a comprehensive review of the list of connected persons every quarter or half year to ensure the accuracy of the list. The company secretary should also regularly issue the list of connected persons to the key personnel of the Group's subsidiaries to ensure that the subsidiaries can obtain the latest connected persons information in a timely manner.	The Company accepts the recommendation and will prepare a confirmation for all Directors to sign, stating that the list of connected persons is complete and up-to-date as soon as possible, to ensure the Group can accurately identify and monitor its connected transactions in a timely manner. This is expected to be completed within 4 to 6 weeks. The Company will adopt a policy whereby the company secretary will contact the Directors every 6 months to update the connected persons list. If there is any update to the list, the company secretary shall disseminate the updated list to the senior management of the Group's subsidiaries as soon as practicable and no later than 7 business days thereafter. This is expected to be completed within 6 weeks.

Key findings	Recommendation(s)	Company's response and the remediation status
4. No timetable has been formulated for dissemination to responsible parties for preparation of annual and interim reports		
The Company currently relies mainly on the company secretary to coordinate and ensure the timely publication of annual and interim reports. No timetable has been formulated and sent to the responsible parties to ensure timely completion of annual or interim reports. As a result, the relevant personnel may be unclear about the requirements of timelines and progress for preparation of financial reports, which may lead to delays in the publication thereof.	The company secretary should communicate with the responsible parties to formulate and distribute a timetable for preparation of the annual and interim reports. The schedule should specify timing for each key milestone, such as provision of financial data, commencement of auditors' work and provision of the first draft of the audit report, and the date of report approval, ensuring that all responsible parties are clear about their responsibilities and requirement of timelines.	The Company accepts the recommendation and will adopt a policy requiring the company secretary to formulate and distribute a timetable for preparation of the annual and interim reports to relevant responsible parties at least 2 months prior to the relevant publication dates. The company secretary will also coordinate with all responsible parties to ensure they clearly understand their responsibility and requirement of timelines. This is expected to be completed within 6 weeks.
5. Appropriate insurance has not been arranged for legal proceedings against Directors		
Pursuant to the CG Code, companies are required to arrange appropriate insurance coverage in respect of legal proceedings against Directors. According to the Management, due to the Group's involvement in litigations, the Company was unable to identify any insurance company to provide Directors' insurance during the Review Period.	The Group should properly resolve the litigation disputes as soon as possible to improve the likelihood of insurance companies offering Directors' insurance coverage.	The Company noted the recommendation and will reach out to additional insurance providers to explore Directors' insurance coverage options, to (i) ensure the Group will not be disadvantaged in attracting suitable Directors in the future, if and when needed; (ii) promote the stability of the current Board; and (iii) mitigate undue financial burden on the Group in the event of potential litigation involving any Director. This is expected to be completed within 6 weeks.

Key findings	Recommendation(s)	Company's response and the remediation status
When potential director candidates consider joining the Company, whether the Company can provide Directors' insurance is an important factor. If the Group cannot procure Directors' insurance, it may be difficult to attract directors with rich experience and professional ability. At the same time, it also increases the risk of Directors leaving, which in turn affects the stability of the Board. Furthermore, if any Director is facing legal proceedings in the absence of insurance protection, the Company may have to bear all legal fees and compensation liabilities. If the lawsuit involves a significant amount of money, it could cause substantial financial pressure to the Group, affecting the Company's liquidity and financial stability.		
6. Company seals are not kept separately by different persons		
The seals of the Group's major subsidiaries – including official seals, financial seals, legal representative's private seals and contract seals – are all kept by one person. Since a single person holds all key seals, the risk of unauthorized use of seals increases.	The Company should assign different seals to personnel in different departments or positions for safekeeping, based on the purpose and importance of each seal. For example, the official seal may be kept by the head of the administrative department, the financial seal by the head of finance, the legal representative's private seal by the legal representative or his authorized person, and the contract seal by the head of the legal or contract management department.	The Company accepts the recommendation and will adopt a policy whereby the seals of the Group's major subsidiaries will be held by the senior management of the corresponding departments of each subsidiary, to reduce the risk of unauthorised misuse of Company seals. The above remediation is completed.

Key findings	Recommendation(s)	Company's response and the remediation status
7. Approval records for contracts or use of company seals have not been retained		
According to the Management, for contract approvals at a certain subsidiary, the applicant would bring the hard copy contract documents to the management for approval, and the management would directly stamp the documents if they agreed. Hence, it has no documented records of seal approvals for that subsidiary. As a result, it is difficult for management to track whether each transaction has been properly approved.	The Company should establish a "Approval Form" to record the approval process of contract and use of seal, and the form should be properly kept together with the relevant contract.	The Company accepts the recommendation and will implement policy to record approval process and design relevant approval forms, to ensure that the Group can property track whether each transaction has been duly approved. This is expected to be completed within 4 weeks.

Results

The IC Review has been completed by the IC Consultant. Having considered the findings of the IC Review,the Company is committed to improving its internal control environment according to the recommendations of the IC Consultant. The Group has set out timeline to adopt and implement the remedial actions set out above, which it considers to be sufficient to address the key findings in the Group's internal control systems in respect of compliance with Listing Rules identified in the IC Review, with substantial implementation expected within 4 to 6 weeks. Upon completion, the IC Consultant will conduct a follow-up review to assess the implementation of the remedial actions. Further announcement(s) will be made by the Company upon the completion of all the remedial actions set out above and the follow-up review by the IC Consultant.

The IC Consultant has confirmed that, based on their review, once the remedial actions are implemented, nothing has come to their attention that causes them to believe the Company will not have in place adequate internal control systems, policies and procedures to ensure compliance with the Listing Rules.

Having considered the above, the Company is of the view that, once the remedial actions are implemented, (i) all internal control findings identified in the IC Review will have been adequately addressed through appropriate recommended rectifications; (ii) the remedial measures taken by the Company are sufficient and adequate; and (iii) the Company will have in place adequate internal control systems, policies and procedures to ensure compliance with the Listing Rules. The Group will continue to monitor and implement these enhanced internal control measures on an ongoing basis to strengthen its internal control systems and ensure continued compliance with the Listing Rules.

Shareholders and potential investors of the Company should exercise caution when dealing or contemplating dealing in the Company's shares or other securities.

By Order of the Board
China Health Group Limited
Chung Ho
Chief Executive Officer and Executive Director

Hong Kong, 26 May 2025

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhang Fan (chairman), Mr. Chung Ho and Mr. Xing Yong; two non-executive Directors, namely, Mr. Huang Lianhai and Mr. Wang Jingming; and four independent non-executive Directors, namely, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Yang Huimin.