TIAN YUAN HEALTHCARE

天元医疗

CHINA TIAN YUAN HEALTHCARE GROUP LIMITED

中國天元醫療集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 557)

2019

Interim financial report

for the six months ended 30 June 2019

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2019 - unaudited

	Note	Six months ended 30 June 2019 HK$'000	2018 HK$'000 (restated)
Continuing operations			
Revenue	3	27,692	23,909
Cost of sales		—	—
Gross profit		27,692	23,909
Other net (loss)/gain	4	(1,001)	17,829
Administrative expenses	5	(34,565)	(40,317)
(Loss)/profit from operating activities		(7,874)	1,421
Finance costs	6	(64)	—
Share of losses of associates		(875)	(1,448)
Loss before taxation		(8,813)	(27)
Income tax expense	7	—	—
Loss for the period from continuing operations	9	(8,813)	(27)
Discontinued operations			
Loss for the period from discontinued operations	8	(6,713)	(19,372)
Loss for the period		(15,526)	(19,399)
Attributable to:			
Equity shareholders of the Company			
– from continuing operations		(7,426)	1,376
– from discontinued operations		(5,854)	(11,838)
		(13,280)	(10,462)
Non-controlling interests			
– from continuing operations		(1,387)	(1,403)
– from discontinued operations		(859)	(7,534)
		(2,246)	(8,937)
Loss for the period		(15,526)	(19,399)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

for the six months ended 30 June 2019 - unaudited

	Note	**Six months ended 30 June** **2019** *HK cents*	**2018** *HK cents (restated)*
Earnings per share			
Basic (loss)/profit per share	10		
– for the period		(3.33)	(2.62)
– from continuing operations		(1.86)	0.34
Diluted (loss)/profit per share	10		
– for the period		(3.33)	(2.62)
– from continuing operations		(1.86)	0.34

The notes on pages 11 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 - unaudited

	Six months ended 30 June	
	2019	**2018**
	HK$'000	*HK$'000*
Loss for the period	(15,526)	(19,399)
Other comprehensive income for the period (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	16	1,333
Exchange differences on monetary items forming net investment in a foreign operation	23	134
	39	1,467
Items that will not be reclassified subsequently to profit or loss:		
Reclassified available-for-sale financial assets measured at cost less accumulated impairment losses to financial assets at fair value through other comprehensive income (non-recycling) upon the adoption of HKFRS 9	—	29,057
Financial assets at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	—	(4,030)
	—	25,027
Total other comprehensive income for the period	39	26,494
Total comprehensive income for the period	(15,487)	7,095
Attributable to:		
Equity shareholders of the Company	(13,417)	15,660
Non-controlling interests	(2,070)	(8,565)
Total comprehensive income for the period	(15,487)	7,095

Note: The comparative information has been restated to reflect the presentation of discontinued operations.

The notes on pages 11 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019 - unaudited

	Note	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Non-current assets			
Property, plant and equipment		1,396	53,845
Intangible assets		125,680	142,653
Goodwill		87,659	95,016
Right-of-use assets		2,423	–
Interest in associates		10,879	8,367
Trade and other receivables	13	22,045	23,779
Other financial assets	12	–	538
Total non-current assets		250,082	324,198
Current assets			
Other financial assets	12	4,827	7,813
Trading securities		18,695	16,730
Trade and other receivables	13	62,622	70,001
Loan receivables	14	255,883	171,699
Current tax recoverable		–	485
Cash and cash equivalents	15	6,508	114,346
		348,535	381,074
Assets held for sale	8	104,410	–
Assets held for distribution	8	3,111	–
		456,056	381,074
Current liabilities			
Trade and other payables	16	(9,293)	(35,312)
Lease liabilities		(2,448)	–
Deferred consideration		–	(1,728)
Interest-bearing borrowings	17	–	(960)
Loans from non-controlling interests	18	–	(21,961)
Provision for taxation		(2,901)	(2,995)
		(14,642)	(62,956)
Liabilities directly associated with the assets held for sale	8	(104,957)	–
Liabilities directly associated with the assets held for distribution	8	(1,741)	–
		(121,340)	(62,956)
Net current assets		334,716	318,118
Total assets less current liabilities		584,798	642,316

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2019 - unaudited

	Note	**As at 30 June 2019** *HK$'000*	**As at 31 December 2018** *HK$'000*
Non-current liabilities			
Deferred rental expense		–	(1,897)
Deferred tax liabilities		(15,931)	(15,938)
Dividends received in excess of earnings from equity-method accounted joint venture		(227)	(227)
Interest-bearing borrowings	17	–	(28,041)
Loans from non-controlling interests	18	–	(11,940)
Other financial liabilities	19	(11,096)	(8,272)
		(27,254)	(66,315)
NET ASSETS		557,544	576,001
CAPITAL AND RESERVES			
Share capital		398,980	398,980
Share premium		20,663	20,663
Reserves		52,888	66,305
Total equity attributable to equity shareholders of the Company		472,531	485,948
Non-controlling interests		85,013	90,053
TOTAL EQUITY		557,544	576,001

The notes on pages 11 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 – unaudited

		Attributable to equity shareholders of the Company								
	Note	Share Capital *HK$'000*	Share Premium *HK$'000*	Capital Redemption Reserve *HK$'000*	Exchange Reserve *HK$'000*	Fair Value[1] Reserve (non-recycling) *HK$'000*	Revenue Reserves *HK$'000*	Total *HK$'000*	Non-Controlling Interests *HK$'000*	Total Equity *HK$'000*
Balance at 1 January 2018		398,980	20,663	676	561	–	66,897	487,777	87,279	575,056
Adjustment on initial application of HKFRS 9 (net of tax)		–	–	–	–	29,057	–	29,057	–	29,057
Adjusted balance at 1 January 2018		398,980	20,663	676	561	29,057	66,897	516,834	87,279	604,113
Changes in equity for the six months ended 30 June 2018:										
Loss for the period		–	–	–	–	–	(10,462)	(10,462)	(8,937)	(19,399)
Other comprehensive income										
Financial assets at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)		–	–	–	–	(4,030)	–	(4,030)	–	(4,030)
Exchange differences on translation of financial statements of foreign operations		–	–	–	961	–	–	961	372	1,333
Exchange differences on monetary items forming net investment in a foreign operation		–	–	–	134	–	–	134	–	134
Total comprehensive income for the period		–	–	–	1,095	(4,030)	(10,462)	(13,397)	(8,565)	(21,962)
Balance at 30 June 2018		398,980	20,663	676	1,656	25,027	56,435	503,437	78,714	582,151

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2019 – unaudited

	Attributable to equity shareholders of the Company								
	Share Capital *HK$'000*	Share Premium *HK$'000*	Capital Redemption Reserve *HK$'000*	Exchange Reserve *HK$'000*	Fair Value[1] Reserve (non-recycling) *HK$'000*	Revenue Reserves *HK$'000*	Total *HK$'000*	Non-Controlling Interests *HK$'000*	Total Equity *HK$'000*
Balance at 1 January 2019	398,980	20,663	676	352	26,002	39,275	485,948	90,053	576,001
Changes in equity for the six months ended 30 June 2019:									
Loss for the period	–	–	–	–	–	(13,280)	(13,280)	(2,246)	(15,526)
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operations	–	–	–	(160)	–	–	(160)	176	16
Exchange differences on monetary items forming net investment in a foreign operation	–	–	–	15	–	8	23	–	23
Total comprehensive income for the period	–	–	–	(145)	–	(13,272)	(13,417)	(2,070)	(15,487)
Transactions with owners, recognised directly in equity									
Contribution by and distributions to owners of the Company									
Dividend foregone by non-controlling interests	–	–	–	–	–	–	–	(2,970)	(2,970)
	–	–	–	–	–	–	–	(2,970)	(2,970)
Balance at 30 June 2019	398,980	20,663	676	207	26,002	26,003	472,531	85,013	557,544

1. The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income.

The notes on pages 11 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 - unaudited

		Six months ended 30 June	
		2019	**2018**
		HK$'000	*HK$'000*
Operating activities			
Cash used in operations		(110,650)	(126,685)
Dividend received		–	218
Interest received		11,109	7,129
Tax refunded		485	267
Net cash used in operating activities		(99,056)	(119,071)
Investing activities			
Investment in an associate		(2,512)	–
Payment for purchase of property, plant and equipment		(890)	(875)
Payment for purchase of intangible assets	(Note)	(8,687)	–
Proceeds from sale of trading securities		–	29,887
Return of capital from financial assets		538	–
Net cash (used in)/generated from investing activities		(11,551)	29,012
Financing activities			
Interest paid		(775)	(609)
Addition loans from non-controlling interests		10,288	10,585
Repayment of borrowings		(480)	(341)
Payment for lease liabilities		(1,013)	–
Increase in cash pledged		(1,525)	(66)
Net cash generated from financing activities		6,495	9,569

Note: The payment for purchase of intangible assets mainly represented the purchase of revenue management system software during the period.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the six months ended 30 June 2019 - unaudited

	Six months ended 30 June 2019	2018
	HK$'000	*HK$'000*
Net decrease in cash and cash equivalents	(104,112)	(80,490)
Cash and cash equivalents at 1 January	111,285	132,294
Effect of foreign exchange rates changes	(131)	(158)
Cash and cash equivalents at 30 June (Note A)	7,042	51,646

Note A:

Cash and cash equivalents at 30 June 2019 and 30 June 2018 comprise:

	Note	**As at 30 June 2019**	**As at 30 June 2018**
		HK$'000	*HK$'000*
Deposits with banks and other financial institutions		681	15,701
Cash at bank and in hand		5,827	38,574
Cash and cash equivalents per consolidated statement of financial position		6,508	54,275
Add: Cash and cash equivalents classified as assets held for sale	8	5,063	–
Add: Cash and cash equivalents classified as assets held for distribution	8	57	–
Less: Cash pledged for interest-bearing borrowings		(4,586)	(2,629)
Cash and cash equivalents per condensed consolidated cash flow statement		7,042	51,646

The notes on pages 11 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes included an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report has not been audited or reviewed by the auditors pursuant to International Standards on Auditing or International Standards on Review Engagements.

The interim financial report has been reviewed by the audit committee of the Company.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 9 *Prepayment Features with Negative Compensation*
- HKFRS 16 *Leases*
- Amendments to Hong Kong Accounting Standards ("HKAS") 19 *Plan Amendment, Curtailment or Settlement*
- Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*
- HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements 2015-2017 Cycle *Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

The adoption of these amendments to HKFRSs have had no significant financial effect on the financial position or performance of the Group except HKFRS 16. The nature and impact of HKFRS 16 are described below:

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) 15 *Operating Leases — Incentives* and HK(SIC) 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of revenue reserves at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office premises and storage. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank loans. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *HK$'000* *(Unaudited)*
Assets	
Increase in right-of-use assets	3,461
Liabilities	
Increase in lease liabilities	3,461

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	Increase/ (decrease) *HK$'000* *(Unaudited)*
Operating lease commitments as at 31 December 2018	38,467
Less: Operating lease commitments under hospitality segment (discontinued operations)	(34,917)
	3,550
Discounted using the incremental borrowing rate 4.21% at 1 January 2019	3,461

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the Period are as follow:

	Right-of-use assets *HK$'000* *(Unaudited)*	Lease liabilities *HK$'000* *(Unaudited)*
As at 1 January 2019	3,461	3,461
Depreciation expense	(1,038)	—
Interest expense	—	64
Payments	—	(1,077)
As at 30 June 2019	2,423	2,448

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following three reportable segments based on the information that is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment:

– Investment holding: This segment relates to investments in listed equity investments, unlisted marketable equity mutual funds held as trading securities and investment in an unlisted equity fund. Currently, the Group's equity investment portfolio classified as trading securities includes equity securities listed on the NASDAQ Stock Market and The Philippines Stock Exchange, Inc. and investment portfolio in Hong Kong.

– Healthcare: This segment primarily derives the revenue from the provision of procurement, marketing and management services to the medical industry as well as royalty fees from the licensing of trademarks. Currently, the Group's activities in this segment are carried out in Hong Kong and Korea.

– Money lending and related business: This segment primarily derives the revenue from the interests earned from the provision of loans to third parties, as well as referral and handling fees receivable for the provision of loan related services and the introduction of prospective lenders and borrowers.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, goodwill and current assets with the exception of current tax recoverable. Segments liabilities include interest-bearing borrowings, trade and other payables and dividends received in excess of earnings from equity-method accounted joint venture, with the exception of current and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expense arising from the activities of the Group's joint operation.

The measure used for reporting segment profit is "profit from operations". In addition to receiving segment information concerning profit from operations, management is provided with segment information concerning revenue, interest income, depreciation and amortisation, foreign exchange gain/loss, valuation gain/loss on trading securities, changes in fair value of other financial assets/liabilities and deferred consideration and additions to non-current segment assets used by the segments in their operations.

(b) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Continuing operations							
	Investment Holding		Healthcare		Money Lending and Related Business		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK$'000	*HK$'000* *(restated)*	*HK$'000*	*HK$'000* *(restated)*	*HK$'000*	*HK$'000* *(restated)*	*HK$'000*	*HK$'000* *(restated)*
For the six months ended 30 June:								
Disaggregated by timing of revenue recognition								
Point of time	—	218	8,240	9,109	3,061	—	11,301	9,327
Over time	—	—	4,062	4,077	—	—	4,062	4,077
Revenue from external customers	—	218	12,302	13,186	3,061	—	15,363	13,404
Interest income	59	425	—	—	12,270	10,080	12,329	10,505
Reportable segment revenue	59	643	12,302	13,186	15,331	10,080	27,692	23,909
Reportable segment (loss)/profit	(24,581)	(11,917)	437	1,810	15,331	10,080	(8,813)	(27)
Depreciation and amortisation	(1,193)	(155)	(7,671)	(7,699)	—	—	(8,864)	(7,854)
Net realised and unrealised valuation gain on trading securities	1,957	11,186	—	—	—	—	1,957	11,186
Net realised and unrealised foreign exchange (loss)/gain	(279)	(768)	148	(47)	—	—	(131)	(815)
Changes in fair values of other financial assets/ liabilities and deferred consideration	(2,835)	7,489	—	—	—	—	(2,835)	7,489
Additions to non-current assets	—	9	—	—	—	—	—	9
As at 30 June/31 December:								
Reportable segment assets	116,189	193,081	226,545	239,156	255,883	171,699	598,617	603,936
Reportable segment liabilities	11,671	5,559	11,393	8,717	—	—	23,064	14,276

(c) Reconciliations of reportable segment assets and liabilities

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000* *(restated)*
Assets		
Reportable segment assets	598,617	603,936
Hospitality segment (discontinued operations)	107,521	101,336
Consolidated total assets	706,138	705,272
Liabilities		
Reportable segment liabilities	23,064	14,276
Hospitality segment (discontinued operations)	106,698	96,062
Deferred tax liabilities	15,931	15,938
Provision for taxation	2,901	2,995
Consolidated total liabilities	148,594	129,271

4. OTHER NET (LOSS)/GAIN

	Six months ended 30 June 2019 *HK$'000*	2018 *HK$'000* *(restated)*
Continuing operations		
Changes in fair values of other financial assets/liabilities and deferred consideration	(2,835)	7,489
Net realised and unrealised foreign exchange loss	(131)	(815)
Net realised and unrealised valuation gain on trading securities	1,957	11,186
Miscellaneous income	8	(31)
	(1,001)	17,829

5. ADMINISTRATIVE EXPENSES

Continuing operations

Administrative expenses comprise mainly expenses incurred by the Group's Investment Holding segment including directors' remuneration and professional fees.

6. FINANCE COSTS

	Six months ended 30 June	
	2019	**2018**
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interest expenses on lease payment	64	–
	64	–

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	**2018**
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Current tax		
Provision for the period	–	–
Income tax expense from continuing operations	–	–

The provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the six months ended 30 June 2019, taking into account a reduction granted by the Hong Kong SAR Government of 75% (2018: 75%) of the tax payable for the year of assessment 2018/19 (2018: 2017/18) subject to a maximum reduction of HK$20,000 (2018: HK$30,000) for each business. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands. The tax concession was renewed for a further period of twenty years from 2 June 2009.

As at 30 June 2019, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK$145 million (31 December 2018: HK$145 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

8. DISCONTINUED OPERATIONS

Discontinued operations relate to hospitality segment

On 2 April 2019, SWAN Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments LLC, the joint operation partner of the joint operation, Sheraton Chapel Hill Hotel (collectively, the "Sellers") entered into the Hotel Purchase and Sale Agreement (the "Hotel PSA") with Atma Hotel Group Inc (the "Purchaser Atma"), pursuant to which the Sellers have agreed to sell and the Purchaser Atma has agreed to purchase certain assets of the joint operation (the "Disposal of Assets"). The total consideration receivable by the Group under the Hotel PSA is approximately USD4,625,000. The Disposal of Assets had been completed on 2 August 2019.

On 26 June 2019, SWAN USA Inc, an indirect subsidiary of the Company, (the "Seller"), entered into a Purchase and Sales Agreement (the "PSA") with the Whiteboard Labs, LLC, (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in Sceptre Hospitality Resources, LLC ("SHR"), an indirect subsidiary of the Company with consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

The loss for the period from the discontinued operations in respect of hospitality segment is analysed as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018
	HK$'000	*HK$'000* *(restated)*
Revenue	64,771	55,186
Cost of sales	(11,969)	(10,749)
Gross profit	52,802	44,437
Other net losses	(14)	(60)
Administrative expenses	(58,790)	(63,182)
Loss from operating activities	(6,002)	(18,805)
Finance costs	(711)	(565)
Share of losses of associates	—	(2)
Loss before taxation	(6,713)	(19,372)
Income tax expense	—	—
Loss for the period from discontinued operations	(6,713)	(19,372)
Attributable to:		
Equity shareholders of the Company	(5,854)	(11,838)
Non-controlling interests	(859)	(7,534)
Loss for the period	(6,713)	(19,372)
Loss for period from discontinued operations attributable to:		
Equity shareholders of the Company	(5,854)	(11,838)
Non-controlling interests	(859)	(7,534)
	(6,713)	(19,372)

Loss for the period from discontinued operations in respect of hospitality segment is arrived at after charging:

	Six months ended 30 June	
	2019	**2018**
	HK$'000	*HK$'000*
		(restated)
Depreciation of property, plant and equipment	2,273	1,725
Amortisation of intangible assets	2,406	2,234
Operating lease charges – rental of properties	3,422	2,744

The assets and liabilities associated with discontinued operations are analysed as follows:

	As at 30 June 2019
	HK$'000
Assets held for sale	
Hospitality segment	104,410
Assets held for distribution (Note)	
Hospitality segment	3,111
Liabilities directly associated with the assets held for sale	
Hospitality segment	(104,957)
Liabilities directly associated with the assets held for distribution (Note)	
Hospitality segment	(1,741)

Note: The assets held for distribution and the liabilities directly associated with the assets held for distribution are related to the Group's U.S. hotel management arm, Richfield Hospitality, Inc. (the "RHI") which has ceased the hotel management service as at 30 June 2019.

The assets and liabilities associated with hospitality segment classified as held for sale and held for distribution to owners as at 30 June 2019 are analysed as follows:

	Note	**Assets/liabilities held for sale** *HK$'000*	**Assets/liabilities held for distribution** *HK$'000*
Property, plant and equipment		50,977	32
Intangible assets		15,532	—
Goodwill		7,314	—
Trade and other receivables	(i)	25,524	2,239
Current tax recoverable		—	783
Cash and cash equivalents		5,063	57
Total assets associated with hospitality segment classified as		104,410	3,111
Trade and other payables	(ii)	(28,612)	(1,741)
Interest-bearing borrowings	(iii)	(28,508)	—
Deferred consideration		(3,624)	—
Loans from non-controlling interests	18	(44,213)	—
Total liabilities associated with hospitality segment classified as		(104,957)	(1,741)

i) Trade and other receivables

	Assets held for sale as at 30 June 2019 *HK$'000*	**Assets held for distribution as at 30 June 2019** *HK$'000*
Less than 1 month	17,944	–
1 to 3 months	697	–
3 to 12 months	3,316	1,755
Total third-party trade receivables, net of allowance for impairment loss	21,957	1,755
Other receivables	3,567	484
	25,524	2,239

ii) Trade and other payables

	Liabilities directly associated with the assets held for sale as at 30 June 2019 *HK$'000*	Liabilities directly associated with the assets held for distribution as at 30 June 2019 *HK$'000*
Due within 1 month or on demand	16,945	1,352
Due 1 to 3 months	1,872	389
Due 3 to 12 months	9,795	—
	28,612	1,741

iii) Interest-bearing borrowings

	Liabilities directly associated with the assets held for sale as at 30 June 2019 *HK$'000*	Liabilities directly associated with the assets held for distribution as at 30 June 2019 *HK$'000*
Bank loan (secured)	28,508	—
Repayable		
– within 1 year	980	—
– after 1 year but within 2 years	1,016	—
– after 2 year but within 5 years	26,512	—
	28,508	—

The Group's term loan is secured by:

- a first priority mortgage of Sheraton Chapel Hill Hotel, its improvements, equipment and fixtures with a carrying amount of HK$35.1 million as at 30 June 2019 (31 December 2018: HK$35.6 million);
- assignments of all rights and benefits to sale, lease, agreements, trademarks and insurance proceeds in respect of Sheraton Chapel Hill Hotel;
- pledge of monies held in specific bank accounts of HK$4.6 million as at 30 June 2019 (31 December 2018: HK$3.1 million); and
- guarantee by RHI, an indirect subsidiary of the Group.

Covenant

The Group's banking facilities are subject to the fulfilment of covenants relating to the Group's certain financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2019, there was no breach of covenants that are significant to the Group's operations that will result in the lenders demanding for the immediate repayment of the term loan (31 December 2018: no breach of covenants).

Non-recourse carveout guarantees

As of 30 June 2019, RHI and SWAN USA, Inc (the "Guarantors"), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group's joint operation and associate, as set out below:

RHI is a guarantor of indebtedness of the term loan entered into by SWAN Carolina Investor, LLC and SFI Carolina TIC SPE, LLC for Sheraton Chapel Hill Hotel. The term guarantee will expire on 6 May 2023.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered into by the Guarantors provide the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages (the "Covenants"). The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees is HK$28.5 million as at 30 June 2019 (31 December 2018: HK$29.0 million).

The management is of the view that the possibility of violating the Covenants and triggering any cash outflow within the scope of the above guarantees is remote. In addition, the above indebtedness are non-recourse in nature and the carrying amount of the individual collateral is in excess of its respective outstanding loan amount.

On 1 August 2019, Swan Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments, LLC, the joint operation partner of the joint operation, Sheraton Chapel Hill Hotel (collectively, the "Original Borrowers") entered into the Defeasance assignment, Assumption and Release agreement with (i) SB DFZ COMM 2013-CR8 Holdings, LLC, as successor borrower, (ii) U.S. Bank National Association, as trustee under the Pooling and Servicing Agreement dated as of 1 June 2013, for certificate holders of COMM 2013-CCRE8 Mortgage Trust Commercial Mortgage Pass-Through Certificates (the "Lender"), (iii) Midland Loan Services, a division of PNC Bank, National Association, as master servicer and (iv) Wilmington Trust Company, as security intermediary and custodian, pursuant to which the Original Borrowers have directed the Lender to release the mortgaged property and any other collateral or security given by Original Borrowers as security upon Original Borrowers' defeasance of the Group's term loan. The Original Borrowers have granted to the Lender, a security interest in the securities and the proceeds thereof to secure the payment and performance in full when due of all outstanding loan amount. Therefore, all obligations of the Original Borrowers were released.

9. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period from continuing operations is arrived at after charging:

	Six months ended 30 June	
	2019	**2018**
	HK$'000	*HK$'000*
		(restated)
Depreciation of property, plant and equipment	155	155
Depreciation of right-of-use assets	1,038	–
Amortisation of intangible assets	7,671	7,699
Operating lease charges – rental of properties	–	3,846

10. (LOSS)/PROFIT PER SHARE

For the period

a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of HK$13.3 million (six months ended 30 June 2018: HK$10.5 million) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2018: 398,979,524) in issue during the period.

b) Diluted loss per share

Diluted loss per share is the same as the basic loss per share because the Group has no dilutive securities that are convertible into shares during the six months ended 30 June 2019 and 30 June 2018.

From continuing operations

a) Basic (loss)/profit per share

The calculation of basic (loss)/profit per share from continuing operations is based on loss attributable to ordinary equity shareholders from continuing operations of the Company of HK$7.4 million (six months ended 30 June 2018: profit of HK$1.4 million) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2018: 398,979,524) in issue during the period.

b) Diluted (loss)/profit per share

Diluted (loss)/profit per share is the same as the basic (loss)/profit per share because the Group has no dilutive securities that are convertible into shares during the six months ended 30 June 2019 and 30 June 2018.

11. DIVIDENDS

a) Dividend attributable to the interim period

The directors of the Company (the “Directors”) have resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

b) There were no dividends attributable to the previous financial year, approved and paid during the interim period of 2019 and 2018.

12. OTHER FINANCIAL ASSETS

The other financial assets under current assets relate to the dividend forgone by non-controlling shareholders of HK$4,827,000 (31 December 2018: HK$7,813,000). These other financial assets are measured at fair value.

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are third-party trade receivables (net of allowance for impairment losses) with the following ageing analysis based on invoice date:

	As at 30 June 2019 *HK$'000*	**As at 31 December 2018** *HK$'000*
Less than 1 month	6,538	15,690
1 to 3 months	4,089	13,881
More than 3 months	9,414	14,103
Total third-party trade receivables, net of allowance for impairment loss	20,041	43,674
Due from an associate	1,254	1,254
Other receivables and deposits	36,896	20,117
	58,191	65,045
Prepayments	26,476	28,735
	84,667	93,780
Non-current	22,045	23,779
Current	62,622	70,001
	84,667	93,780

a) Trade receivables are due within 30 days from the date of invoice. Receivables with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers.

   All trade and other receivables are expected to be recovered within one year.

b) Prepayments mainly consist of professional fee of HK$24 million (31 December 2018: HK$25 million) paid in advance to business consultants who provide advisory services on the businesses of the Group.

14. LOAN RECEIVABLES

As at 30 June 2019, the Group made eight (31 December 2018: three) loans to third parties. The carrying amount of loans to third parties consists of a loan of approximately HK$101.7 million (31 December 2018: approximately HK$101.8 million) which is secured by a pledge of properties owned by two individuals who have also extended personal guarantees in favour of the borrower, and another loan of approximately HK$60.8 million (31 December 2018: approximately HK$60.8 million) which is secured by personal guarantee from a shareholder of a borrower.

The loans bear interest at rates ranging from 4.54% to 13% (31 December 2018: 10% to 12%) per annum, and are repayable within one year.

15. CASH AND CASH EQUIVALENTS

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Deposits with banks and other financial institutions	681	53,994
Cash at bank and in hand	5,827	60,352
Cash and cash equivalents per consolidated statement of financial position	6,508	114,346
Add: Cash and cash equivalents classified as assets held for sale	5,063	–
Add: Cash and cash equivalents classified as assets held for distribution	57	–
Less: Cash pledged for interest-bearing borrowings (Note 8)	(4,586)	(3,061)
Cash and cash equivalents available for use by the Group	7,042	111,285

16. TRADE AND OTHER PAYABLES

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Trade payables	–	9,576
Other payables and accrued charges	9,293	20,733
	9,293	30,309
Deferred income	–	5,003
	9,293	35,312

Trade and other payables, excluding deferred income, have the following ageing analysis based on due date:

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Due within 1 month or on demand	1,738	12,830
Due 1 to 3 months	118	4,519
Due 3 to 12 months	7,437	12,960
	9,293	30,309

17. INTEREST-BEARING BORROWINGS

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Bank loan - secured	–	29,001
Repayable:		
Within 1 year	–	960
After 1 year but within 2 years	–	995
After 2 years but within 5 years	–	27,046
	–	28,041
	–	29,001

The interest-bearing borrowings are related to discontinued operations. Please refer to note 8 (iii) for the details of the security.

18. LOANS FROM NON-CONTROLLING INTERESTS

The loans from non-controlling interests are unsecured, interest-free and are due for repayment over the period from July 2019 to June 2021.

19. OTHER FINANCIAL LIABILITIES

The other financial liabilities relate to put and call option arising from the acquisition of subsidiary in 2017. The other financial liabilities are measured at fair value.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

The following table presents the carrying value of Group's financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of inputs used in the valuation techniques as follows:

- Level 1 valuations: fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

	Fair value at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into			Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements								
Assets:								
Trading securities								
– Listed equity securities	**299**	**299**	**–**	**–**	296	296	–	–
– Unquoted investment	**18,396**	**–**	**–**	**18,396**	16,434	–	–	16,434
Other financial assets								
– FVPL	**4,827**	**–**	**–**	**4,827**	7,813	–	–	7,813
– FVOCI	**–**	**–**	**–**	**–**	538	–	–	538
Liabilities:								
Deferred consideration	**–**	**–**	**–**	**–**	(1,728)	–	–	(1,728)
Other financial liabilities	**(11,096)**	**–**	**–**	**(11,096)**	(8,272)	–	–	(8,272)
	12,426	**299**	**–**	**12,127**	15,081	296	–	14,785

During the six months ended 30 June 2019 and the year ended 31 December 2018, there were no transfers between levels.

The movements in the financial instruments measured at fair value are as follows:

	Trading securities *HK$'000*	Other financial assets *HK$'000*	Deferred consideration *HK$'000*	Other financial liabilities *HK$'000*
At 1 January 2018	23,184	60,470	(1,719)	(16,787)
Return of capital	–	(43,800)	–	–
Net realised and unrealised (loss)/gain recognised in profit or loss	(6,750)	(5,307)	–	8,515
Net unrealised loss recognised in other comprehensive income	–	(3,027)	–	–
Translation differences	–	15	(9)	–
At 31 December 2018	16,434	8,351	1,728	(8,272)
At 1 January 2019	16,434	8,351	1,728	(8,272)
Return of capital	–	(538)	–	–
Net unrealised gain/(loss) recognised in profit or loss	1,957	(2,970)	–	(2,835)
Classified as assets held for sale	–	–	(1,728)	–
Translation differences	5	(16)	–	11
At 30 June 2019	18,396	4,827	–	(11,096)

The net unrealised valuation gain or loss of the unrealised equity securities for the period recognised in profit or loss is presented in "other net (loss)/gain" in the consolidated statement of profit or loss.

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. For fair value measurement in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

Type	Valuation method	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Trading securities – unlisted investment	Net assets value	Net asset value of the fund	The fair value increases as the net asset value of the fund increases
Other financial assets – dividend right forgone by non-controlling shareholders	Discounted cash flows	Discount rate	The fair value increases as the discount rate decreases
Other financial assets – revenue and profit guarantees from non-controlling shareholders	Discounted cash flows	Discount rate	The fair value increases as the discount rate decreases
Deferred consideration	Discounted cash flows	Discount rate	The fair value increases as the discount rate decreases
Other financial liabilities – put and call option	Black-Scholes Option Pricing Model	Risk-free rate, volatility rate	Option price increases when volatility rate increases Call option price increases and put option price decreases when risk-free rate increases

(b) Financial instruments not measured at fair value but for which the fair value is disclosed:

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018 except for fixed rate borrowings.

21. COMMITMENTS

At 30 June 2019 and 31 December 2018, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Within 1 year	–	5,665
After 1 year but within 5 years	–	21,101
After 5 years	–	11,701
	–	38,467

The Group is the lessee under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2.

22. MATERIAL RELATED PARTY TRANSACTIONS

During the period, there were the following material related party transactions:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Business venture in which a non-controlling shareholder of a subsidiary is the owner		
Income received from trademark licensing	4,062	4,076
Income received from provision of procurement, marketing and management services	8,240	9,100

23. CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 2 April 2019, the Sellers entered into the Hotel PSA with the Purchaser Atma for the Disposal of Assets. The total consideration receivable by the Group under the Hotel PSA is approximately USD4,625,000. The Disposal of Assets was completed on 2 August 2019.

On 26 June 2019, the Seller entered into the PSA with the Purchaser for the Disposal of SHR with consideration of approximately USD3,277,354. The Disposal of SHR was completed on 6 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of China Tian Yuan Healthcare Group Limited (the “Company”) hereby presents the unaudited interim financial information for the six months ended 30 June 2019 of the Company and its subsidiaries (collectively, the “Group”). The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$13.3 million for the six months ended 30 June 2019 (the “Period”) as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$10.5 million in the previous corresponding period. The higher loss was mainly due to a significant reduction of net realised and unrealised valuation gain on trading securities for the Period, which is partially offset by the increase in revenue in hospitality and money lending and related business segments.

Hospitality segment — discontinued operations

Regarding the Group’s Hospitality segment, the Group’s U.S. hotel management arm, Richfield Hospitality, Inc. has ceased the hotel management service in order to reduce loss in the hospitality segment and therefore no management fee income was recorded for the Period. On the other hand, management fee income of approximately HK$3.3 million was recorded in the previous corresponding period. The loss before tax is approximately HK$2.3 million for the Period as compared with a loss before tax of approximately HK$3.1 million in the previous corresponding period.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed a revenue of approximately HK$8.5 million in total for the Period as compared with approximately HK$10.4 million for the previous corresponding period. The loss before tax is approximately HK$2.1 million for the Period as compared with that of approximately HK$0.9 million in the previous corresponding period.

On 2 April 2019, SWAN Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments LLC, the joint operation partner of the joint operation, Sheraton Chapel Hill Hotel (collectively, the “Sellers”) entered into the Hotel Purchase and Sale Agreement (the “Hotel PSA”) with Atma Hotel Group Inc. (the “Purchaser Atma”), pursuant to which the Sellers have agreed to sell and the Purchaser Atma has agreed to purchase certain assets of the joint operation (the “Disposal of Assets”). The total consideration receivable by the Group under the Hotel PSA is approximately USD4,625,000. The Disposal of Assets was completed on 2 August 2019.

The Group’s 51% equity interest in Sceptre Hospitality Resources, LLC (“SHR”), together with its subsidiaries, Sceptre Hospitality Resources Pte. Ltd, Sceptre Hospitality Resources Europe S.L., Cross-Tinental S.L. and Kootae SLU (“SHR Group”), the hospitality industry’s experts for reservations connectivity, online channel marketing and revenue/channel-management services, recorded higher revenue of approximately HK$56.3 million for the Period, up by approximately HK$14.8 million or 36% from approximately HK$41.5 million in the previous corresponding period. However, SHR Group incurred higher administrative expenses during the Period to support the revenue growth, resulting in an operating loss of approximately HK$2.3 million for the Period as compared with an operating loss of approximately HK$15.4 million in the previous corresponding period.

On 26 June 2019, SWAN USA Inc., an indirect subsidiary of the Company (the "Seller"), entered into a Purchase and Sales Agreement (the "PSA") with the Whiteboard Labs, LLC (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in SHR at a consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

The Group also recognised share of loss from its associate, S-R Burlington Partners, LLC. of approximately HK$0.9 million for the Period as compared with the share of loss of approximately HK$1.5 million in the previous corresponding period.

Consequently, the Group's hospitality segment reported a loss before tax of approximately HK$6.7 million for the Period as compared with a loss before tax of approximately HK$19.4 million in the previous corresponding period.

Investment holding segment — continuing operations

The Group's investment holding segment recorded a net loss on fair value of other financial assets/liabilities and deferred consideration of approximately HK$2.8 million, which is partially offset by the net realised and unrealised valuation gain on trading securities of approximately HK$2.0 million. Overall, the total net realised and unrealised loss of approximately HK$0.8 million was recorded for the Period as compared with the total net realised and unrealised gain of approximately HK$17.9 million in the previous corresponding period. Consequently, the Group's investment holding segment reported a loss before tax of approximately HK$24.6 million for the Period as compared with a loss before tax of approximately HK$11.9 million in the previous corresponding period.

Healthcare segment — continuing operations

On 31 August 2017, the Group effectively obtained approximately 51% of the enlarged issued share capital of PRIP Communications Limited ("PRIP") and obtained control of PRIP and its wholly-owned subsidiary DIAM Holdings Co., Ltd. ("DIAM"). PRIP and DIAM together constitute the Group's new Healthcare segment. PRIP contributed royalty income of approximately HK$4.1 million for both the Period and the previous corresponding period, and DIAM contributed service income of approximately HK$8.2 million for the Period as compared with service income of approximately HK$9.1 million in the previous corresponding period.

Money lending and related business segment — continuing operations

The Group continues to operate the money lending and related business during the Period. This segment contributed handling income of HK$3.1 million and interest income from third parties loans of HK$12.3 million for the Period, as compared with no handling income and interest income from third parties loans of HK$10.1 million in the previous corresponding period.

PROSPECTS

Hospitality segment

During the Period, the Group has disposed most of its business in hospitality segment including the assets and operation of the Sheraton Chapel Hill Hotel and the SHR Group. For Richfield Hospitality Inc., a hotel management company, hotel management service of which has already been ceased since late of 2018 in order to reduce loss.

The remaining operating activities under hospitality segment of the Group is the operation by S-R Burlington Partners, LLC. which the Group has 27% effective interest in and is classified as an associate of the Group. The Group will continue to run the hotel in Burlington operated by S-R Burlington Partners, LLC. in current year and seek for any market interest in our investment in S-R Burlington Partners, LLC. at the same time.

Healthcare business

Following the completion of the disposal of Sheraton Chapel Hill Hotel and SHR Group, the Group will reallocate its resources for the further development and expansion of its core businesses in particular, its healthcare and related businesses, including but not limited to the plastic surgery and medical beauty services and assisted reproductive in-vitro fertilisation services hospitals in China and other Asia markets.

Money lending and related business

In 2019, the Group will continue its money lending and related business, which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Group will continue to develop the money lending and related business by leveraging and making good use of the resource and network of the two executive Directors in banking and finance industries. Delightful Aesthetics Investment Limited, a wholly-owned subsidiary of the Company obtained a money lending licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). However, as the trading disputes between the United States and the Chinese government is making the global economic environment unstable and vulnerable, the Group has been more cautious with accepting customers from money lending and related business. In order to strike a balance between divarication growth and risk control, the Group will continue to adopt prudent credit procedures in accepting customers in the future.

Investment holding

The Group will continue to hold some trading securities and will monitor and make appropriate changes on the investment portfolio from time to time to adapt to the economic environment.

In addition, the Group will explore different short-term investment plans to improve its investment return by using the cash reserves on hand in different currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value measurement of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

AUDIT COMMITTEE

The members of the Audit Committee of the Company comprise 3 independent non-executive Directors namely Mr. Hu Baihe, Mr. Yuen Kwok Kuen and Mr. Guo Jingbin. The Audit Committee has reviewed the unaudited interim results and interim financial information of the Group for the Period with no disagreement.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the Period.

Under the CG Code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 28 June 2019 (the "2019 AGM"), our Chairman of the Board, Mr. Jiang Yulin, was unable to attend the meeting as he had to attend to other commitments. Mr. Yuen Kwok Kuen, our independent non-executive Director chaired the 2019 AGM.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Group had granted facilities to independent third parties and remained outstanding as at 30 June 2019, which is required to be included in this interim report in accordance with Rule 13.20 of the Listing Rules. The summarized information on the facilities is set out as below:

	Facility agreement A	**Facility agreement B (as supplemented by the supplemental deed)**
Date of facility agreement	12 November 2018	16 January 2018 (as supplemented by the supplemental deed dated 15 January 2019)
Borrower	Lead Dragon Limited	Shining Treasure Limited
Guarantor(s)	Mr. Li Ming & Mr. Zhang Shihong	Ms. Cao Qin
Principal	US$13,000,000	US$7,766,266 (equivalent to RMB50,000,000)
Interest rate	12% per annum, payable quarterly	(a) 12% per annum for the first 12 months of the term of the facility agreement, payable semi-annually; (b) 13% per annum for the last 12 months of the term of the facility agreement, payable semi-annually
Term	12 months from date of facility agreement	24 months from date of facility agreement
Default Interest	40% per annum	40% per annum
Guarantee	Personal guarantee to be provided by the Guarantors in favor of the Company to secure the obligations of the Borrower (as regards Mr. Zhang Shihong's obligations, subject to certain limitations as disclosed in the announcement of the Company dated 4 April 2018)	Personal guarantee to be provided by the Guarantor in favor of the Company to secure the obligations of the Borrower
Security	The second legal charge over a residential property in Hong Kong charged by the Mr. Li Ming in favour of the Company, subject to the existing first mortgage over the said residential property and the second legal charge over a residential property in Hong Kong charged by the Mr. Zhang Shihong in favour of the Company, subject to the existing first mortgage over the said residential property and subject however to certain limitations	Nil

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code throughout the Period.

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 Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Save as disclosed herein, the Group had no material acquisitions and disposals of subsidiaries, associates and joint venture during the Period.

SHARE AWARD SCHEME

On 9 December 2016, the Company adopted a share award scheme (the "Share Award Scheme"), pursuant to which the Board may propose or determine the grant of the Company's shares (the "Award Shares") to any Directors, employees or third party service providers of the Group (the "Beneficiaries") as incentives and rewards so as (i) to provide the Beneficiaries with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain the Beneficiaries to work with the Group; and (iii) to provide additional incentive for the Beneficiaries to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Beneficiaries directly to the shareholders of the Company through ownership of shares subject to such conditions as the Board may deem appropriate at its discretion.

Determination of Proposed Beneficiaries

The grant of Award Shares under the Share Award Scheme to any eligible person will be proposed by the remuneration committee of the Company (the "Remuneration Committee") and approved by the Board. The Board shall:

(i) consider whether to accept the proposal from the Remuneration Committee (with or without amendments); and

(ii) if the proposal is accepted (with or without amendments), select from among the proposed eligible person those persons who will be entitled to receive Award Shares under the Share Award Scheme and determine the number of Award Shares that each proposed beneficiary will be entitled to be granted.

The selection of proposed beneficiaries and determination of the number of Award Shares to which each proposed Beneficiary will be entitled will be made pursuant to a resolution of the Remuneration Committee.

Grant of Award Shares

The Company will notify each relevant proposed Beneficiary of his entitlement to Award Shares by way of a notice of award. The notice of award will specify the terms and conditions of the award and the Share Award Scheme such as the number of Award Shares entitled, the vesting criteria and conditions, the vesting date and such other details as the Board may consider necessary.

Each grant of Award Shares under the Share Award Scheme to any connected person shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed Beneficiary). If any proposed grant of Award Shares to any connected person in relation to the Company or any of its subsidiaries under the Share Award Scheme would result in the total number of Award Shares being issued to such connected person during the 12-month period immediately preceding the date of such proposed grant exceeding 1% of the total issued share capital of the Company as at the date of such proposed grant, then such proposed grant must be approved by the shareholders of the Company in a general meeting at which such connected person and his associates shall abstain from voting. The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant and issue of shares to connected persons of the Company.

Maximum Number of Award Share Grants

The aggregate number of Award Shares, whether they are new shares to be allotted and issued by the Company or existing shares to be purchased on-market by the Trustee, underlying all grants made pursuant to the Share Award Scheme shall not exceed in total 10% of the Company's issued share capital as at the adoption date.

Rights Attached to the Award Shares

Any Award Shares transferred to a Beneficiary pursuant to the Share Award Scheme will be subject to all the provisions of the Articles of the Company and will form a single class with the fully paid Shares in issue on the relevant date.

Shares Awarded

The Board has resolved to award ("Connected Award") an aggregate of 37,862,500 shares ("Connected Award Shares") to Mr. Jiang Yulin, the Chairman of the Board and an executive Director, on 9 December 2016. The issue and allotment of new shares to Mr. Jiang has been approved by the independent shareholders of the Company at its extraordinary general meeting ("EGM") on 29 March 2018. During the six months ended 30 June 2019, no new shares award was granted.

Subject to the satisfaction of vesting criteria and the conditions of the Connected Award, 37,862,500 shares will be issued and allotted by the Company to Mr. Jiang by six batches as approved at the EGM:

Batch	Date	Number of shares to be vested
1	30 September 2018	3,786,250
2	31 March 2019	3,786,250
3	31 March 2020	7,572,500
4	31 March 2021	7,572,500
5	31 March 2022	7,572,500
6	31 March 2023	7,572,500

Vesting Conditions of the Connected Award Shares

(i) the approval by the Independent Shareholders at the EGM in respect of the issue and allotment of the Connected Award Shares pursuant to the specific mandate obtained at the EGM;

(ii) the granting of the listing and dealing approval by the Hong Kong Stock Exchange in respect of the Connected Award Shares;

(iii) the achievement of (i), in relation to the 1st batch of the Connected Award Shares, a growth rate of not less than 10% on the average closing market capitalisation of the Company (the "Average Market Capitalisation") throughout the first half of year 2018 based on the 30-days average closing market capitalisation of the Company immediately preceding the date of adoption of the Share Award Scheme (the "Benchmark Market Capitalisation"); (ii), in relation to the 2nd batch of the Connected Award Shares, a growth rate of not less than 15% on the average closing market capitalisation of the Company throughout the second half of year 2018 based on the Benchmark Market Capitalisation; and (iii), in relation to the remaining batches of the Connected Award Shares, expected return on equity (the "Expected ROE") by the Company in each of the second to fifth year as recommended by the Remuneration Committee and approved by the Board from time to time, taking into account the economic environment and other appropriate factors as it thinks fit. The Remuneration Committee may also make recommendations on any adjustments for the forthcoming year for the Board's approval, taking into account the above factors. In any event, the Expected ROE will not be less than 12% (the "Minimum Expected ROE").

In determining whether the growth rate of the average closing market capitalisation of the Company (the "Average Cap. Growth") is met, the Company will calculate the Average Cap. Growth for each of the first half and second half of year 2018 based on the following formula:

For the first half of year 2018:

$$\text{Increase in market capitalisation of the Company} = \frac{\text{Average Market Capitalisation}}{\text{Benchmark Market Capitalisation}} - 1 \text{ x } 100\%$$

Where,

(a) Average Market Capitalisation shall be calculated by dividing the sum of market capitalisation of the Company for the period commencing on 1 January 2018 and ending on 30 June 2018 (both dates inclusive) (the "2018 First Six-Month Period") over the total number of trading days for that period; and

(b) Benchmark Market Capitalisation shall be calculated by the sum of market capitalisation of the Company for the thirty (30) trading days immediately prior to the date on which the Share Award Scheme is adopted by the Board over the total number of trading days for that period.

The first batch of the Connected Award Shares was not vested to Mr. Jiang on 30 September 2018 since the increase in market capitalisation of the Company for the 2018 First Six-Month Period is less than 10%.

For the second half of year 2018:

$$\text{Increase in market capitalisation of the Company} = \frac{\text{Average Market Capitalisation}}{\text{Benchmark Market Capitalisation}} - 1 \times 100\%$$

Where,

(a) Average Market Capitalisation shall be calculated by dividing the sum of market capitalisation of the Company for the period commencing on 1 July 2018 and ending on 31 December 2018 (both dates inclusive) (the "2018 Second Six-Month Period") over the total number of trading days for that period; and

(b) Benchmark Market Capitalisation shall be calculated by the sum of market capitalisation of the Company for the thirty (30) trading days immediately prior to the date on which the Share Award Scheme is adopted by the Board over the total number of trading days for that period.

The second batch of the Connected Award Shares was not vested to Mr. Jiang on 31 March 2019 since the increase in market capitalisation of the Company for the 2018 Second Six-Month Period is less than 15%.

In determining whether the Expected ROE is met, the Company will calculate the ROE of each year based on the following formula:

$$\text{Expected ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

Where,

(a) Net Income shall be the net profit before taxation, interest, amortisation and extraordinary item(s) of non-recurring in nature as shown in the latest published audited consolidated financial results of the Group before the relevant vesting date; and

(b) Shareholders' Equity shall be the total equity attributable to equity shareholders of the Company as shown in the audited consolidated financial results of the Group published in the year preceding the relevant vesting date.

The remaining batches of the Connected Award Shares with the vesting dates on 31 March 2020, 2021, 2022 and 2023 respectively shall vest if the ROE for the respective year is not less than 12%.

Any change in the above vesting conditions (including the Minimum Expected ROE) will be subject to the approval by the Independent Shareholders.

SHARE OPTION SCHEME

The Company does not have any share option scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

	Number of shares				
Name of Directors	**Personal Interest**	**Corporate or Family Interests/ Trust & similar interest**	**Long/short Position**	**Total Share interests**	**Approximate percentage holding of issued share capital of the Company as at 30 June 2019**
Jiang Yulin	30,290,000[(1)]	—	Long position	30,290,000	7.59%

Note 1: These interests represented awards of an aggregate of 37,862,500 shares resolved to be made by the Board on 9 December 2016 which were subject to certain vesting conditions, the details of which are set out in the section headed "Share Award Scheme" in this report. The aforesaid award to Mr. Jiang Yulin was approved at the EGM held on 29 March 2018. The shares will be issued and allotted to Mr. Jiang Yulin by 6 batches (subject to the fulfilment of the vesting conditions), with the first vesting date being 30 September 2018 and the second vesting date being 31 March 2019. Given the vesting conditions of the first and second batches of the Connected Award Shares are not met, the first and second batch of the Connected Award Shares shall not be issued and allotted to Mr. Jiang Yulin and shall be forfeited and lapsed. As such, the number of shares of the Company that Mr. Jiang Yulin will be interested in since 31 March 2019 shall be reduced from 34,076,250 to 30,290,000.

Save as disclosed herein, as at 30 June 2019, none of the Directors and the chief executives of the Company or their associates were interested or had any short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far is known to any Directors or the chief executives of the Company, the following persons (excluding the Directors and the chief executives of the Company) were interested in 5% or more of the issued share capital of the Company or had short position in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage holding of issued share capital of the Company as at 30 June 2019
Prudential Brokerage Limited	Person having security interest in shares	249,539,294	62.54%
Dong Jufeng *(Note)*	Interest of spouse/ Family interest	266,069,294	66.69%
Jia Tianjiang *(Note)*	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%
Tian Yuan Manganese Limited *(Note)*	Beneficial owner/ Beneficial interest	249,539,294	62.54%
	Person having security interest in shares	16,530,000	4.14%
Ningxia Tianyuan Manganese Industry Co., Ltd. *(Note)*	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%

Note: Tian Yuan Manganese Limited (formerly known as China Tian Yuan Manganese Limited) is a wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd., a corporation controlled by Mr. Jia Tianjiang. By virtue of the SFO, Ningxia Tianyuan Manganese Industry Co., Ltd., Mr. Jia Tianjiang and his spouse, Ms. Dong Jufeng, are deemed to be interested in the 266,069,294 shares of the Company held by Tian Yuan Manganese Limited.

Save as stated above, no person (excluding the Directors and the chief executives of the Company) was interested in or had a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2019.

By order of the Board
China Tian Yuan Healthcare Group Limited
Jiang Yulin
Chairman

Hong Kong, 29 August 2019