



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)

2020

**Interim financial report
for the six months ended 30 June 2020**

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



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TO THE BOARD OF DIRECTORS OF CHINA TIAN YUAN HEALTHCARE GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial statements set out on pages 4 to 38, which comprise the condensed consolidated statement of financial position of China Tian Yuan Healthcare Group Limited (the “Company”) and its subsidiaries (together, the “Group”) at 30 June 2020 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to form a conclusion, based on our review, on the condensed consolidated interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 21 May 2021

Alvin Yeung Sik Hung

Practising Certificate Number P05206

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 – unaudited

		Six months ended 30 June	
	Note	2020	2019
		HK\$'000	HK\$'000
Continuing operations			
Revenue	5	17,801	27,692
Cost of sales		(1,691)	–
		<hr/>	<hr/>
Gross profit		16,110	27,692
Other losses, net	6	(71,274)	(1,001)
Administrative expenses	7	(31,456)	(34,565)
		<hr/>	<hr/>
Loss from operating activities		(86,620)	(7,874)
Share of losses of associates		(1,457)	(875)
Finance costs	8	(64)	(64)
		<hr/>	<hr/>
Loss before taxation		(88,141)	(8,813)
Income tax expense	9	–	–
		<hr/>	<hr/>
Loss for the period from continuing operations	11	(88,141)	(8,813)
Discontinued operations			
Loss for the period from discontinued operations	10	–	(6,713)
		<hr/>	<hr/>
Loss for the period		<u>(88,141)</u>	<u>(15,526)</u>
Loss for the period attributable to:			
Equity shareholders of the Company			
– from continuing operations		(54,110)	(7,426)
– from discontinued operations		–	(5,854)
		<hr/>	<hr/>
		<u>(54,110)</u>	<u>(13,280)</u>
Non-controlling interests			
– from continuing operations		(34,031)	(1,387)
– from discontinued operations		–	(859)
		<hr/>	<hr/>
		<u>(34,031)</u>	<u>(2,246)</u>
Loss for the period		<u>(88,141)</u>	<u>(15,526)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

for the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June	
		2020 HK cents	2019 HK cents
Loss per share			
Basic loss per share	12		
– for the period		<u>(13.56)</u>	<u>(3.33)</u>
– from continuing operations		<u>(13.56)</u>	<u>(1.86)</u>
Diluted loss per share	12		
– for the period		<u>(13.56)</u>	<u>(3.33)</u>
– from continuing operations		<u>(13.56)</u>	<u>(1.86)</u>

The notes on pages 13 to 38 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period	(88,141)	(15,526)
Other comprehensive (loss)/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	(2,823)	16
Exchange differences on monetary items forming net investment in a foreign operation	(41)	23
Total other comprehensive (loss)/income for the period	<u>(2,864)</u>	<u>39</u>
Total comprehensive loss for the period	<u>(91,005)</u>	<u>(15,487)</u>
Attributable to:		
Equity shareholders of the Company	(56,539)	(13,417)
Non-controlling interests	<u>(34,466)</u>	<u>(2,070)</u>
Total comprehensive loss for the period	<u>(91,005)</u>	<u>(15,487)</u>

The notes on pages 13 to 38 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020 – unaudited

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000 (restated)	As at 1 January 2019 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	9,026	4,631	53,845
Intangible assets	32,415	117,396	142,653
Goodwill	56,431	7,119	95,016
Financial assets at fair value through other comprehensive income	–	–	538
Interest in associates	4,552	6,122	8,367
Trade and other receivables	10,964	12,232	14,541
	113,388	147,500	314,960
Current assets			
Trade and other receivables	40,498	69,266	67,584
Inventory	2,318	–	–
Other financial assets	–	–	7,813
Financial assets at fair value through profit or loss	11,520	12,547	16,730
Loan receivables	166,039	186,014	171,699
Amounts due from fellow subsidiaries	4,717	11,043	1,138
Current tax recoverable	310	491	485
Cash and cash equivalents	35,038	22,428	114,346
	260,440	301,789	379,795
Current liabilities			
Trade and other payables	(55,364)	(13,659)	(35,312)
Lease liabilities	(2,091)	(2,049)	–
Interest-bearing borrowings	–	–	(960)
Deferred consideration	–	–	(1,728)
Loans from non-controlling interests	–	–	(21,961)
Provision for taxation	(163)	(568)	(2,995)
	(57,618)	(16,276)	(62,956)
Net current assets	202,822	285,513	316,839
Total assets less current liabilities	316,210	433,013	631,799

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2020 – unaudited

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000 (restated)	As at 1 January 2019 HK\$'000 (restated)
Non-current liabilities			
Deferred tax liabilities	–	(15,852)	(15,938)
Obligation in excess of earnings from equity-method accounted joint venture	(227)	(227)	(227)
Lease liabilities	(319)	(1,374)	–
Deferred rental expense	–	–	(1,897)
Interest-bearing borrowings	–	–	(28,041)
Loans from non-controlling interests	–	–	(11,940)
Other financial liabilities	–	–	(8,272)
	<u>(546)</u>	<u>(17,453)</u>	<u>(66,315)</u>
NET ASSETS	<u>315,664</u>	<u>415,560</u>	<u>565,484</u>
CAPITAL AND RESERVES			
Share capital	398,980	398,980	398,980
Share premium	20,663	20,663	20,663
Reserves	(145,480)	(88,941)	55,788
Total equity attributable to equity shareholders of the Company	<u>274,163</u>	<u>330,702</u>	<u>475,431</u>
Non-controlling interests	<u>41,501</u>	<u>84,858</u>	<u>90,053</u>
TOTAL EQUITY	<u>315,664</u>	<u>415,560</u>	<u>565,484</u>

The notes on pages 13 to 38 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – 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	Retained earnings 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
Prior year adjustments (note 3)	-	-	-	-	-	(10,517)	(10,517)	-	(10,517)
	<u>398,980</u>	<u>20,663</u>	<u>676</u>	<u>352</u>	<u>26,002</u>	<u>28,758</u>	<u>475,431</u>	<u>90,053</u>	<u>565,484</u>
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	<u>398,980</u>	<u>20,663</u>	<u>676</u>	<u>207</u>	<u>26,002</u>	<u>15,486</u>	<u>462,014</u>	<u>85,013</u>	<u>547,027</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2020 – unaudited

	Attributable to equity shareholders of the Company							
	Share Capital <i>HK\$ '000</i>	Share Premium <i>HK\$ '000</i>	Capital Redemption Reserve <i>HK\$ '000</i>	Exchange Reserve <i>HK\$ '000</i>	Retained earnings/ losses) <i>HK\$ '000</i>	Total <i>HK\$ '000</i>	Non- Controlling Interests <i>HK\$ '000</i>	Total Equity <i>HK\$ '000</i>
Balance at 1 January 2020	398,980	20,663	676	(1,097)	(104,926)	314,296	84,858	399,154
Prior year adjustments (note 3)	-	-	-	-	16,406	16,406	-	16,406
	<u>398,980</u>	<u>20,663</u>	<u>676</u>	<u>(1,097)</u>	<u>(88,520)</u>	<u>330,702</u>	<u>84,858</u>	<u>415,560</u>
Changes in equity for the six months ended 30 June 2020:								
Loss for the period	-	-	-	-	(54,110)	(54,110)	(34,031)	(88,141)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operations	-	-	-	(2,388)	-	(2,388)	(435)	(2,823)
Exchange differences on monetary items forming net investment in a foreign operation	-	-	-	(41)	-	(41)	-	(41)
Total comprehensive income for the period	-	-	-	(2,429)	(54,110)	(56,539)	(34,466)	(91,005)
Transactions with owners, recognised directly in equity								
Contribution by and distributions to owners of the Company								
Acquisition of subsidiary	-	-	-	-	-	-	(8,891)	(8,891)
	-	-	-	-	-	-	(8,891)	(8,891)
Balance at 30 June 2020	<u>398,980</u>	<u>20,663</u>	<u>676</u>	<u>(3,526)</u>	<u>(142,630)</u>	<u>274,163</u>	<u>41,501</u>	<u>315,664</u>

The notes on pages 13 to 38 form part of this interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020 – unaudited

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Operating activities		
Cash generated from/(used in) operations	5,475	(110,650)
Interest received	18,870	11,109
Tax (paid)/refunded	(224)	485
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	24,121	(99,056)
	<hr/>	<hr/>
Investing activities		
Acquisition of interest in a subsidiaries	(11,416)	–
Investment in an associate	–	(2,512)
Payment for purchase of property, plant and equipment	–	(890)
Payment for purchase of intangible assets	–	(8,687)
Return of capital from financial assets	–	538
	<hr/>	<hr/>
Net cash used in investing activities	(11,416)	(11,551)
	<hr/>	<hr/>
Financing activities		
Interest paid	(64)	(775)
Addition loans from non-controlling interests	–	10,288
Repayment of borrowings	–	(480)
Payment for lease liabilities	–	(1,013)
Increase in cash pledged	–	(1,525)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(64)	6,495
	<hr/>	<hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the six months ended 30 June 2020 – unaudited

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net increase/(decrease) in cash and cash equivalents	12,641	(104,112)
Cash and cash equivalents at 1 January	22,428	111,285
Effect of foreign exchange rates changes	(31)	(131)
Cash and cash equivalents at 30 June (Note)	35,038	7,042

Note:

Cash and cash equivalents at 30 June 2020 and 30 June 2019 comprise:

	As at 30 June 2020 HK\$'000	As at 30 June 2019 HK\$'000
Deposits with banks and other financial institutions	–	681
Cash at bank and in hand	35,038	10,947
Cash and cash equivalents per consolidated statement of financial position	35,038	11,628
Add: Cash and cash equivalents classified as assets held for sale		
Less: Cash pledged for interest-bearing borrowings	–	(4,586)
Cash and cash equivalents per condensed consolidated cash flow statement	35,038	7,042

The notes on pages 13 to 38 form part of this interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements 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 21 May 2021.

The condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial statements 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 condensed consolidated interim financial statements 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 2019 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 condensed consolidated interim financial statements have not been audited, but have been reviewed by Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of Crowe (HK) CPA Limited to the Company’s Board of Directors is included on pages 2 to 3 of this Interim Report.

2. CHANGES IN ACCOUNTING POLICIES

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior period; and/or on the disclosures set out in these condensed consolidated interim financial statements.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

3. RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

During the finalisation of the consolidated financial statements of the Group for the year ended 31 December 2020, management has reassessed the relevant facts and circumstances and the appropriate accounting treatments of certain transactions entered into by the Group in the prior period and considered that certain prior period adjustments should be made to correct the prior period errors as described below.

Accordingly, certain prior year adjustments have been made and certain comparative information has been restated as further detailed below and elsewhere in the financial statements.

(a) Derivatives associated with the acquisition of 51% of the equity interests of PRIP Communications Limited (“PRIP”) and its wholly-owned subsidiary, DIAM Holdings Co., Ltd (“DIAM”) (the “Acquisition”)

As disclosed in the consolidated financial statements for the year ended 31 December 2019, a liability (included in “other financial liabilities”) represented the put and call options amounted to HK\$53,891,000. Pursuant to the shareholders’ agreement (“Shareholders’ Agreement”) entered on 29 May 2017 between PRIP, Dr. Sang Woo Lee (“Dr. Lee”), Pyung Kim, and the Company, Dr. Lee and Pyung Kim (together, the “non-controlling shareholders”), shall have the right and option to require the Company to purchase the 29% of the issued and outstanding shares (the “Option Shares”) in PRIP during the three months after the issue of the audited financial report of PRIP for the financial year of 2019 (the “Option Commitment Period”) and the total purchase price of all the Option Shares shall be US\$12,285,458 (the “Put Option”) and the Company shall have the right and option to require the non-controlling shareholders to sell the Option Shares within the Option Commitment Period and the total selling price of all the Option Shares shall be US\$12,285,458 (the “Call Option”).

During the period, the Company has revisited the fair value of put and call options and concluded that the fair value of options should be of nil value as the revenue and profit guarantee cannot be met.

In view of the above facts and circumstances and confirmed the 29% put and call options was not exercised, prior year adjustment is proposed to derecognise the financial liabilities of the put and call options. Accordingly, as at 31 December 2019, other financial liabilities were overstated by HK\$53,891,000.

(b) Goodwill associated with the Acquisition

During the year ended 31 December 2019, the Group recognised impairment on goodwill amounted to approximately HK\$51,819,000. The Group determined the recoverable amount of the healthcare business based on its value in use calculation, that is the discounted cash flow model using cash flows projections based on the licensing of DA trademark in markets identified covering a period of 10 years using a discount rate of 13.6% and with reference to an independent valuation.

Upon the expiry of DA trademark agreement in May 2020, the Group was not able to recover the outstanding fee income derived from revenue generated by licensing the use of DA trademark and unauthorised use of DA trademark by Dr. Lee, a non-controlling shareholder of a subsidiary of the Company. The Group was in dispute with Dr. Lee, and eventually, affecting the potential healthcare business development with Dr. Lee.

Based on the above, the management had performed a reassessment on the discounted cash flow model using cash flows projections based on the licensing of DA trademarks. Further impairment of approximately HK\$28,282,000 was recognised based on value in use calculation. Accordingly, goodwill were overstated by approximately HK\$28,282,000.

(c) Prepayment for advisory services

As disclosed in the consolidated financial statements for the year ended 31 December 2019, prepayment amounting to HK\$21,700,000 was recognised in the consolidated financial statements as at 31 December 2019 which were paid to two advisors (the “Advisors”) to provide advisory services to the Group in developing or acquiring new businesses for a period of 10 years.

During the period, management has revisited the engagement letter with the Advisors as well as the chronology of events, i.e. the works performed by the Advisors and noted that part of the fee represented cost on work performed for the Acquisition which should be expensed in year 2017, before amortisation of retainer services in remaining 10 years.

The Company has entered an appendix with the Advisors on 16 October 2020 to clarify the terms of the engagement letter with the clauses. In view that the Advisors have involved in communications for legal and financial due diligence, group restructuring as well as communication with the vendor, Dr Lee, in relation to the Acquisition in 2017, the Company considered it is more appropriate to expense the relevant portion of the prepayment to the advisory fee in 2017.

Accordingly, certain prior year adjustments have been made and certain comparative information has been restated to correct these errors, the effects of correcting these errors are as follows;

Restated condensed consolidated statement of financial position

	As originally stated <i>HK\$'000</i>	Prior Year adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
As at 31 December 2019			
Non-current assets			
Goodwill	35,401	(28,282)	7,119
Trade and other receivables	20,156	(7,924)	12,232
Current assets			
Trade and other receivables	70,545	(1,279)	69,266
Current liabilities			
Other financial liabilities	53,891	(53,891)	–
Capital and reserves			
Deficit	(105,347)	16,406	(88,941)
As at 1 January 2019			
Non-current assets			
Trade and other receivables	23,779	(9,238)	14,541
Current assets			
Trade and other receivables	68,863	(1,279)	67,584
Capital and reserves			
Reserves	66,305	(10,517)	55,788

4. 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, royalty fees from the licensing of trademarks and revenue for providing plastic surgery services generated from newly acquired business in Shanghai. Currently, the Group's activities in this segment are carried out in Hong Kong, Korea and the PRC.

- 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:

	Investment Holding		Healthcare		Money Lending and Related Business		Hospitality		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(restated)</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(restated)</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(restated)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(restated)</i>
For the six months ended 30 June:										
Disaggregated by timing of revenue recognition										
Point of time	-	-	6,932	8,240	-	3,061	-	-	6,932	11,301
Over time	-	-	1,341	4,062	-	-	-	-	1,341	4,062
Revenue from external customers	-	-	8,273	12,302	-	3,061	-	-	8,273	15,363
Interest income	411	59	1	-	9,116	12,270	-	-	9,528	12,329
Reportable segment revenue	<u>411</u>	<u>59</u>	<u>8,274</u>	<u>12,302</u>	<u>9,116</u>	<u>15,331</u>	<u>-</u>	<u>-</u>	<u>17,801</u>	<u>27,692</u>
Reportable segment (loss)/profit	<u>(23,071)</u>	<u>(24,581)</u>	<u>(70,047)</u>	<u>437</u>	<u>9,116</u>	<u>15,331</u>	<u>(4,139)</u>	<u>-</u>	<u>(88,141)</u>	<u>(8,813)</u>
Depreciation and amortisation	(1,172)	(1,193)	(7,812)	(7,671)	-	-	-	-	(8,984)	(8,864)
Net realised and unrealised valuation (loss)/gain on trading securities	(1,033)	1,957	-	-	-	-	-	-	(1,033)	1,957
Net realised and unrealised foreign exchange (loss)/gain	(1,580)	(279)	116	148	-	-	(78)	-	(1,542)	(131)
Changes in fair values of other financial assets/liabilities and deferred consideration	-	(2,835)	-	-	-	-	-	-	-	(2,835)
Impairment loss on trademarks	-	-	(61,031)	-	-	-	-	-	(61,031)	-
As at 30 June/31 December:										
Reportable segment assets (as restated)	<u>78,013</u>	<u>77,309</u>	<u>99,697</u>	<u>145,974</u>	<u>186,670</u>	<u>213,172</u>	<u>9,138</u>	<u>12,343</u>	<u>373,518</u>	<u>448,798</u>
Reportable segment liabilities (as restated)	<u>22,510</u>	<u>15,210</u>	<u>33,056</u>	<u>836</u>	<u>-</u>	<u>-</u>	<u>2,435</u>	<u>1,263</u>	<u>58,001</u>	<u>17,309</u>

(c) Reconciliations of reportable segment assets and liabilities

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000 (restated)
Assets		
Reportable segment assets	373,518	448,798
Current tax recoverable	310	491
	<hr/>	<hr/>
Consolidated total assets	<u>373,828</u>	<u>449,289</u>
Liabilities		
Reportable segment liabilities	58,001	17,309
Deferred tax liabilities	–	15,852
Provision for taxation	163	568
	<hr/>	<hr/>
Consolidated total liabilities	<u>58,164</u>	<u>33,729</u>

5. REVENUE

Revenue of the Group comprises revenue from the provision of healthcare related services and money lending and related business activities. Disaggregation of revenue recognised during the year by category is as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts within the scope of HKFRS 15		
Healthcare related services		
– Royalty fees	1,341	4,062
– Management fees	496	8,240
– Healthcare income	6,436	–
	<hr/>	<hr/>
	<u>8,273</u>	<u>12,302</u>

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts not within the scope of HKFRS 15		
Money lending and related business activities		
– Interest income on third party loans	9,116	12,270
– Loan handling fees	–	3,061
Investment holding activities		
– Other interest income	412	59
	<u>9,528</u>	<u>15,390</u>
Timing of revenue recognition within the scope of HKFRS 15		
A point in time		
– Healthcare related services	6,932	8,240
Overtime		
– Healthcare related services	1,341	4,062
	<u>8,273</u>	<u>12,302</u>

Healthcare related services – management fees

The Group provides marketing and referral services to a plastic surgery clinic (the “clinic”) in Korea. The performance obligation is satisfied when the customers accepted to receive plastic surgery services from the clinic.

Healthcare related services – royalty fees

Royalty fees represent the guaranteed minimum royalties received for the use of a trademark and recognised over a period agreed under contracts. The royalty fees are recognised over the contract terms.

Revenue that is expected to be recognised in the future arising from contracts in existence at the reporting date is insignificant.

6. OTHER LOSSES, NET

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000 (restated)
Continuing operations		
Changes in fair values of other financial assets/liabilities and deferred consideration	–	(2,835)
Net realised and unrealised foreign exchange loss	(1,542)	(131)
Net realised and unrealised valuation (loss)/gain on trading securities	(1,033)	1,957
Gain from sales of property, plant and equipment	23	–
Impairment loss on trademarks	(61,031)	–
Impairment loss on prepayments	(7,750)	–
Miscellaneous income	59	8
	<u>(71,274)</u>	<u>(1,001)</u>

7. ADMINISTRATIVE EXPENSES

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

8. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Interest expenses on lease payment	64	64
	<u>64</u>	<u>64</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Current tax		
Provision for the period	—	—
	<u>—</u>	<u>—</u>
Income tax expense	—	—
	<u>—</u>	<u>—</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the period, except for subsidiary which is a qualifying corporation under the two-tiered Profits Tax rate regime. The first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

No Hong Kong profits tax has been provided for in the financial statements as the Group has no assessable profits derived in Hong Kong for the period (2019: Nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 2020, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK\$104,100,000 (31 December 2019: HK\$104,100,000) 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.

10. 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 <i>HK\$'000</i>
Revenue	64,771
Cost of sales	<u>(11,969)</u>
Gross profit	52,802
Other net losses	(14)
Administrative expenses	<u>(58,790)</u>
Loss from operating activities	(6,002)
Finance costs	(711)
Share of losses of associates	<u>–</u>
Loss before taxation	(6,713)
Income tax expense	<u>–</u>
Loss for the period from discontinued operations	<u><u>(6,713)</u></u>
Attributable to:	
Equity shareholders of the Company	(5,854)
Non-controlling interests	<u>(859)</u>
Loss for the period	<u><u>(6,713)</u></u>
Loss for period from discontinued operations attributable to:	
Equity shareholders of the Company	(5,854)
Non-controlling interests	<u>(859)</u>
	<u><u>(6,713)</u></u>

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

	Six months ended 30 June 2019
	<i>HK\$'000</i>
Depreciation of property, plant and equipment	2,273
Amortisation of intangible assets	2,406
Operating lease charges – rental of properties	3,422
	<u> </u>

11. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	11,694	35,327
Contributions to retirement benefits scheme	132	121
	<u> </u>	<u> </u>
	<u>11,826</u>	<u>35,448</u>
b) Other items		
Depreciation of property, plant and equipment	356	155
Depreciation of right-of-use assets	1,017	1,038
Amortisation of intangible assets	7,611	7,671
Cost of inventories	798	–
	<u> </u>	<u> </u>

12. LOSS 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\$54,110,000 (six months ended 30 June 2019: HK\$13,280,000 (restated)) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2019: 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 2020 and 30 June 2019.

From continuing operations

a) Basic loss per share

The calculation of basic loss per share from continuing operations is based on loss attributable to ordinary equity shareholders from continuing operations of the Company of HK\$54,110,000 (six months ended 30 June 2019: profit of HK\$7,426,000 (restated)) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2019: 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 2020 and 30 June 2019.

13. 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 2020 (six months ended 30 June 2019: nil).

b) There were no dividends attributable to the previous financial year, approved and paid during the interim period of 2020 and 2019.

14. 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 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i> <i>(restated)</i>	As at 1 January 2019 <i>HK\$'000</i> <i>(restated)</i>
Trade receivables (note (a))	7,304	17,872	28,903
Interest receivables (note (a))	17,427	27,114	15,091
Less: Allowance for expected credit loss	<u>(1,119)</u>	<u>(1,169)</u>	<u>(62)</u>
	23,612	43,817	43,932
Due from an associate	–	–	1,254
Other receivables and deposits	17,646	22,090	19,074
Less: Allowance for expected credit loss	<u>(6,550)</u>	<u>(6,551)</u>	<u>–</u>
	34,708	59,356	64,260
Prepayments (note (b))	<u>16,754</u>	<u>22,142</u>	<u>17,865</u>
Trade and other receivables	<u><u>51,462</u></u>	<u><u>81,498</u></u>	<u><u>82,125</u></u>
Analysed as:			
Non-current	10,964	12,232	14,541
Current	<u>40,498</u>	<u>69,266</u>	<u>67,584</u>
	<u><u>51,462</u></u>	<u><u>81,498</u></u>	<u><u>82,125</u></u>

(a) Ageing analysis

Trade receivables are due within 30 days from the date of invoice.

As of the end of the reporting period, the aging analysis of trade receivables and interest receivables (net of allowance for expected credit loss) based on the invoice date is as follows:

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Less than 1 month	4,261	25,611
1 to 3 months	2,819	6,173
More than 3 months	16,532	12,033
	<u>23,612</u>	<u>43,817</u>

Included in trade receivables of HK\$3,769,000 (31 December 2019: HK\$3,872,000) represented an amount due from a business venture in which a non-controlling shareholder of a subsidiary of the Group is the sole owner.

(b) Prepayments

Prepayments mainly consist of professional fees of HK\$11.5 million (31 December 2019: HK\$12.4 million and 1 January 2019: HK\$14.2 million (*as restated*)) paid in advance to business consultants who provide advisory services on the businesses of the Group.

During the period, the Group had paid US\$1,000,000 (approximately HK\$7,752,000) in relation to further acquisition of equity interest in PRIP in early 2020. However, due to the situation mentioned under note 3(a) and the dispute with the non-controlling shareholder, Dr. Lee, the management of the Company expected that the recoverability of the payments is uncertain. Accordingly, impairment was recognised against the balances as of the end of the reporting period.

15. LOAN RECEIVABLES

	As at 30 June 2020	As at 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan to third parties	234,439	254,482
Less: Allowance for expected credit loss	<u>(68,400)</u>	<u>(68,468)</u>
	<u>166,039</u>	<u>186,014</u>

Before granting loans to potential borrowers, the Group performs internal credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability, aging analysis of account and current creditworthiness, collateral and past collection history of each borrower under the Group's credit risk rating system.

In determining the recoverability of the loan receivables on a collective basis, the Group considers any change in the credit quality of the loan receivables from the date the credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

As of the end of each reporting date, the Group's loan receivables were individually and collectively assessed for impairment.

One of the loans to third parties of approximately HK\$101,200,000 (2019: approximately HK\$101.2 million) which is secured by a pledge of properties owned by two individuals who have also extended personal guarantees in favour of the borrower. On 12 February 2020, the aforesaid outstanding amount has fallen due. However, the borrower informed the Company that it was unable to repay the said principal amount and the accrued interest at the repayment date, which constituted a default in repayment of the principal amount and accrued interest. On 5 March 2020, the borrower, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK\$17,800,000) to a wholly-owned subsidiary of the Company incorporated in the PRC as partial repayment (“Repayment 1”). On 6 March 2020, one of the personal guarantor (“1st Guarantor”) paid a sum of HK\$33,000,000 to the Company as partial repayment (“Repayment 2”). Taking into account of Repayment 2 is not lower than the estimated market value of 1st Guarantor’s residential property in Hong Kong as secured under the second legal charge, on 15 March 2020, instead of exercising the second legal charge, the Company entered into a deed of partial release to release the second legal charge over the residential property in Hong Kong charged by the 1st Guarantor under the second legal charge in favour of the Company. Allowance for expected credit loss was provided for the remaining amount after the settlement of Repayment 1 and Repayment 2. Another loan of approximately HK\$60,200,000 (2019: approximately HK\$60,500,000) which is secured by personal guarantee from a shareholder of a borrower.

The loan receivables carried interest at rates ranging from 11% to 18.5% (2019: 10% to 18.5%) per annum, and are repayable within one year.

16. CASH AND CASH EQUIVALENTS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Deposits with banks and other financial institutions	–	9,205
Cash at bank and in hand	35,038	13,223
Cash and cash equivalents available for use by the Group	<u>35,038</u>	<u>22,428</u>

17. TRADE AND OTHER PAYABLES

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Trade payables	1,077	–
Other payables and accrued charges	54,287	13,659
	<u>55,364</u>	<u>13,659</u>

(a) Ageing analysis

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

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Less than 1 month	–	–
1 to 3 months	–	–
3 to 12 months	1,077	–
	<u>1,077</u>	<u>–</u>

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group has financial risk management policies in place to ensure all payables are settled within the time frame agreed with the respective suppliers.

18. ACQUISITION OF SUBSIDIARIES

On 31 December 2019, the Group has entered into a sale and purchase agreement (“SPA”) to acquire a target group (“Shanghai Hospital Group”) (comprising of a hospital in Shanghai (“Shanghai Hospital”)) for a consideration of RMB30,000,000 (equivalent to approximately HK\$33,000,000) (the “Acquisition”). Shanghai Hospital is principally engaged in the plastic surgery operation in Shanghai City of the People’s Republic of China. The Acquisition has been completed on 29 May 2020. During the year ended 31 December 2019, the Group has paid HK\$19,970,000 to the vendor for this acquisition and included under trade and other receivables. Details of the Acquisition of the Shanghai Hospital are set out in the announcement of the Company dated 31 December 2019 and 29 May 2020.

Since the acquisition, Shanghai Hospital Group contributed approximately HK\$6,436,000 to the Group's revenue and approximately HK\$445,000 to the consolidated loss for the period from 1 June 2020 to 30 June 2020.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the loss of the Group for the period would have been approximately HK\$39,911,000 and HK\$91,951,000, respectively.

The assets and liabilities recognised as a result of the Acquisition are as follows:

	Fair value <i>HK\$'000</i>
Inventory	2,534
Property, plant and equipment	5,683
Trade and other receivables	11,993
Cash and cash equivalents	1,451
Trade and other payables	(47,441)
	<hr/>
Total identifiable net liabilities at fair value	(25,780)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of Shanghai Hospital Group	8,891
Goodwill on acquisition	49,726
	<hr/>
Total consideration, satisfied by cash	<u>32,837</u>
Net cash outflow arising on acquisition:	
Cash consideration	32,837
Less: Cash and cash equivalent balances acquired	(1,451)
	<hr/>
	<u>31,386</u>

Acquisition-related costs (included in other operating expenses) amounted to approximately HK\$533,000.

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

19. 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 2020	Fair value measurements as at 30 June 2020 categorised into			Fair value at 31 December 2019 (restated)	Fair value measurements as at 31 December 2019 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:								
Financial assets at FVTPL								
- Listed equity securities	414	414	-	-	325	325	-	-
- Unquoted investment	11,106	-	-	11,106	12,222	-	-	12,222
Other financial assets								
- FVPL	-	-	-	-	-	-	-	-
- FVOCI	-	-	-	-	-	-	-	-
Liabilities:								
Other financial liabilities								
	-	-	-	-	-	-	-	-
	11,520	414	-	11,106	12,547	325	-	12,222

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no transfers between levels.

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

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Other financial assets <i>HK\$'000</i>	Deferred consideration <i>HK\$'000</i>	Other financial liabilities <i>HK\$'000</i>
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
	<u>18,396</u>	<u>4,827</u>	<u>-</u>	<u>(11,096)</u>
At 30 June 2019	<u>18,396</u>	<u>4,827</u>	<u>-</u>	<u>(11,096)</u>
At 1 January 2020	12,222	-	-	-
Net unrealised gain/(loss) recognised in profit or loss	(1,033)	-	-	-
Translation differences	331	-	-	-
	<u>11,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2020	<u>11,520</u>	<u>-</u>	<u>-</u>	<u>-</u>

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” 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 2020 and 31 December 2019 except for fixed rate borrowings.

20. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Business venture in which a non-controlling shareholder of a subsidiary is the owner		
Income received from trademark licensing	1,341	4,062
Income received from provision of procurement, marketing and management services	496	8,240
	<u>496</u>	<u>8,240</u>

21. CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

22. COMPARATIVE INFORMATION

Certain comparative amounts have been restated in connection with certain prior year adjustments as further detailed in note 3 to the condensed consolidated interim financial statements.

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 2020 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\$54.1 million for the six months ended 30 June 2020 (the “Period”) as compared with a net loss attributable to the equity shareholders of the Company of approximately HK\$13.3 million in the previous corresponding period. The higher loss was mainly due to a significant impairment loss on trademarks for the Period.

Investment holding segment

The Group’s investment holding segment recorded a net realised and unrealised valuation loss on trading securities of approximately HK\$1.0 million as compared a net realised and unrealised valuation gain on trading securities of approximately HK\$2.0 million in the previous corresponding period. Consequently, the Group’s investment holding segment reported a loss before tax of approximately HK\$23.1 million for the Period as compared with a loss before tax of approximately HK\$24.6 million in the previous corresponding period.

Healthcare segment

The Group’s healthcare business has been carried out under PRIP Communications Limited (“PRIP”) and DIAM Holdings Co., Ltd. (“DIAM”). PRIP contributed royalty income of approximately HK\$1.3 million for the Period which is decreased by HK\$2.7 million as compared to the previous corresponding period, and DIAM contributed service income of approximately HK\$0.5 million for the Period which is decreased by HK\$7.7 million as compared to the previous corresponding period due to the outbreak of COVID-19.

On 29 May 2020, the Group has completed the acquisition of the entire equity interest of Bright Zone Holdings Limited, which indirectly owns Shanghai Yuyue Meilianchen Healthcare Beauty Hospital Limited* (上海愉悦美聯臣醫療美容醫院有限公司) (the “Shanghai Hospital”), which is principally engaged in the plastic surgery operation in Shanghai City of the People’s Republic of China (“PRC”). Shanghai Hospital is a specialized plastic surgery hospital which operates class 1 to class 3 plastic surgery operations and facial bone contouring technique plastic surgery operations in the PRC, and provides high quality services to the public customers. Shanghai Hospital has obtained the medical institution practicing license in the PRC to carry out its plastic surgery services in the PRC. Shanghai Hospital has been providing plastic surgery services, including but not limited to, Chinese medical aesthetic services, aesthetic dentistry, facial contouring surgery, etc. For the period from 1 June 2020 to 30 June 2020, Shanghai hospital recorded revenue of approximately HK\$6.4 million and net loss of approximately HK\$0.4 million.

Money lending and related business segment

Regarding the Group’s Money Lending and Related Business segment, the Group recognised interest income from third parties loans of HK\$9.1 million for the Period, as compared with handling income of HK\$3.1 million and interest income from third parties loans of HK\$12.3 million in the previous corresponding period.

Hospitality segment

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

The Group’s hospitality segment reported a loss before tax of approximately HK\$4.1 million for the Period as compared with a loss before tax of approximately HK\$6.7 million in the previous corresponding period.

PROSPECTS

Hospitality segment

The 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. The Group will also develop other hospitality business and grasp the opportunity to enter into merger and acquisition in order to bring in growth other than organic growth as well as establish possible regional presences when it arises.

Healthcare business

On 29 May 2020, the Group has completed the acquisition of the entire equity interest of Bright Zone Holdings Limited, which indirectly owns Shanghai Hospital. Shanghai Hospital is principally engaged in the plastic surgery operation in Shanghai City of the PRC. The acquisition of the Shanghai Hospital is in line with the Company's expansion strategy in the healthcare business sector and an opportunity to strengthen its existing principal business in the healthcare business segment. The Directors are confident that the operation of the Shanghai Hospital is beneficial to the Group's business performance and is in line with its development strategy in the medical beauty industry, thereby bringing synergy to the Group and will be conducive to the future development of the Group.

The Group is of the view that there is room for growth in customer spending in the medical beauty industry in the PRC in the future. Through the Group's experience in the management of PRIP Communications Limited, and the importation of the Korean DA branding to the market in the PRC, and its experience in the investment in Shanghai Hospital, the Group will further develop the provision of management and marketing services to other plastic surgery hospitals in the PRC in the future.

Money lending and related business

In 2020, 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, is a licensed money lender under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Given that the trade friction between the PRC and the United States and the global outbreak of the novel coronavirus (COVID-19) pandemic have caused disruptions to the business activity globally and are expected to continue and adversely affect the global economic environment, the Group has been and will be more cautious with the credit assessment and acceptance of customers from money lending and related business. In order to strike a balance between expansion of the money lending and related business segment and the risk control of the Group, the Group will adopt a more prudent credit assessment and procedures when accepting customers for money lending business 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.

The unaudited consolidated financial results for the six months ended 30 June 2020 have been reviewed by Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, 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.

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 2020, 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 (Note 2) (as supplemented by the supplemental deed)
Date of facility agreement	12 November 2018 (as supplemented by the supplemental deed dated 12 November 2019)	16 January 2018 (as supplemented by the supplemental deed dated 15 January 2019 as further supplemented by the 2nd supplemented deed at 15 January 2020)
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	(a) 12% per annum, starting from and including 12 November 2018 up to and including 11 November 2019; and (b) 18.5% per annum starting from and including 12 November 2019 up to and including 12 February 2020.	(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 next 12 months of the term of the facility agreement, payable semi-annually; (c) 14% per annum for last 12 months of the term of the facility agreement, payable semi-annually.
Term	15 months from date of facility agreement (i.e. 12 February 2020)	36 months from date of facility agreement
Default Interest	20% per annum	40% per annum
Guarantee	Personal guarantee provided by Mr. Li Ming and Mr. Zhang Shihong 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 Ms. Cao Qin 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 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 (Note 1)	Nil

Note 1:

On 17 January 2020, Mr. Li Ming, as chargor, and Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天元醫療管理有限公司) (the “PRC Subsidiary”), a wholly-owned subsidiary of the Company, as chargee, entered into an agreement of legal charge (the “PRC Legal Charge”), pursuant to which Mr. Li Ming charged five properties located in Beijing, the PRC, owned by him in favour of the PRC Subsidiary as security for the due payment of all obligations and liabilities due, owing or incurred by the Borrower to the Company under the Amended Facility Agreement A. On 5 March 2020, Lead Dragon Limited, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK\$17,800,000) to Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天元醫療管理有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC, as partial repayment of the facility under the Amended Facility Agreement A. On 6 March 2020, Mr. Li Ming paid a sum of HK\$33,000,000 to the Company as partial repayment of the facility under the Amended Facility Agreement A (the “Partial Repayment”). Since the sum of Partial Repayment is not lower than the estimated market value of Mr. Li Ming’s residential property in Hong Kong (the “Property”) as secured under the second legal charge as at 4 March 2020 (after deduction of approximately HK\$11,076,000 of the liability secured under the existing first mortgage on the Property as at 6 December 2019), the Company entered into a deed of partial release to release the second legal charge over the Property charged by Mr. Li Ming in favour of the Company (the “Partial Release”). Further details in relation to the PRC Legal Charge, the Partial Repayment and the Partial Release are set out in the announcements of the Company dated 17 February 2020, 21, February 2020 and 16 March 2020.

Note 2:

The remaining outstanding balance of the loan receivables and interest receivables of the loan under the Facility Agreement B as supplemented by the 2nd supplemental deed dated 15 January 2020 have been fully settled on 20 July 2020.

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 VENTURES

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 previous Chairman of the Board and the previous 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:

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

Where,

- (a) Average Market Capitalisation shall be calculated by dividing the sum of market capitalisation of the Company for the period commencing on 1 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.

Due to resignation by Mr. Jiang Yulin on 16 March 2020, the Connected Award Shares granted to Mr. Jiang have been lapsed and all outstanding and unvested Connected Award Shares are waived accordingly.

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 2020, 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 2020, 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 2020
Dong Jufeng (<i>Note</i>)	Interest of spouse/ Family interest	266,069,294	66.69%
Jia Tianjiang (<i>Note</i>)	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%
Tian Yuan Manganese Limited (<i>Note</i>)	Beneficial owner/ Beneficial interest	249,539,294	62.54%
	Person having security interest in shares	16,530,000	4.14%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. (<i>Note</i>)	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%

Note: Tian Yuan Manganese Limited is a wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd.* (寧夏天元錳業集團有限公司) (formerly known as Ningxia Tianyuan Manganese Industry Co., Ltd.* (寧夏天元錳業有限公司)), 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 2020.

By order of the Board
China Tian Yuan Healthcare Group Limited
Zhang Xian
Executive Director

Hong Kong, 21 May 2021