



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)

2021

**Interim financial report
for the six months ended 30 June 2021**

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



國富浩華（香港）會計師事務所有限公司
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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 29, 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 2021 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, 30 August 2021

Alvin Yeung Sik Hung

Practising Certificate Number P05206

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 – unaudited

	Note	Six months ended 30 June	
		2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	48,439	17,801
Cost of sales		(11,026)	(1,691)
Gross profit		37,413	16,110
Reversal of expected credit loss		915	–
Other gains/(losses), net	5	166	(71,274)
Administrative expenses	6	(43,158)	(31,456)
Loss from operating activities		(4,664)	(86,620)
Share of profits/(losses) of associates		336	(1,457)
Finance costs	7	(2,083)	(64)
Loss before taxation		(6,411)	(88,141)
Income tax expense	8	–	–
Loss for the period	9	(6,411)	(88,141)
Loss for the period attributable to:			
Equity shareholders of the Company		(6,137)	(54,110)
Non-controlling interests		(274)	(34,031)
Loss for the period		(6,411)	(88,141)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic loss per share	10	(1.53)	(13.56)
Diluted loss per share	10	(1.53)	(13.56)

The notes on pages 12 to 29 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 2021 – unaudited

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period	(6,411)	(88,141)
Other comprehensive income/(loss) 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	3,074	(2,823)
Exchange differences on monetary items forming net investment in a foreign operation	13	(41)
Total other comprehensive income/(loss) for the period	<u>3,087</u>	<u>(2,864)</u>
Total comprehensive loss for the period	<u><u>(3,324)</u></u>	<u><u>(91,005)</u></u>
Attributable to:		
Equity shareholders of the Company	(3,034)	(56,539)
Non-controlling interests	(290)	(34,466)
Total comprehensive loss for the period	<u><u>(3,324)</u></u>	<u><u>(91,005)</u></u>

The notes on pages 12 to 29 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021 – unaudited

	<i>Note</i>	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		57,406	59,362
Intangible assets		19,477	20,999
Goodwill		61,415	60,687
Interest in associates		7,528	7,111
Trade and other receivables	12	10,147	11,366
		155,973	159,525
Current assets			
Trade and other receivables	12	23,270	14,661
Inventory		2,895	1,894
Financial assets at fair value through profit or loss		12,031	12,897
Loan receivables	13	100,856	134,032
Current tax recoverable		16	109
Cash and cash equivalents	14	81,220	58,178
		220,288	221,771
Current liabilities			
Trade and other payables	15	(27,052)	(28,454)
Lease liabilities		(3,269)	(3,248)
Provision for taxation		(163)	(163)
		(30,484)	(31,865)
Net current assets		189,804	189,906
Total assets less current liabilities		345,777	349,431

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2021 – unaudited

	As at 30 June 2021	As at 31 December 2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current liabilities		
Obligation in excess of earnings from equity-method accounted joint venture	(227)	(227)
Lease liabilities	(51,487)	(51,817)
	<u>(51,714)</u>	<u>(52,044)</u>
NET ASSETS	<u>294,063</u>	<u>297,387</u>
CAPITAL AND RESERVES		
Share capital	398,980	398,980
Share premium	20,663	20,663
Reserves	(155,149)	(152,115)
Total equity attributable to equity shareholders of the Company	<u>264,494</u>	<u>267,528</u>
Non-controlling interests	<u>29,569</u>	<u>29,859</u>
TOTAL EQUITY	<u>294,063</u>	<u>297,387</u>

The notes on pages 12 to 29 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 – 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/ (accumulated 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 (audited)	398,980	20,663	676	(1,097)	(104,926)	314,296	84,858	399,154
Prior year adjustments	-	-	-	-	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 (unaudited)	<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>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2021 – unaudited

	Attributable to equity shareholders of the Company							Total Equity HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Capital Redemption Reserve HK\$'000	Exchange Reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000	Non- Controlling Interests HK\$'000	
Balance at 1 January 2021 (audited)	398,980	20,663	676	830	(153,621)	267,528	29,859	297,387
Changes in equity for the six months ended 30 June 2021:								
Loss for the period	-	-	-	-	(6,137)	(6,137)	(274)	(6,411)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operations	-	-	-	3,090	-	3,090	(16)	3,074
Exchange differences on monetary items forming net investment in a foreign operation	-	-	-	13	-	13	-	13
Total comprehensive income for the period	-	-	-	3,103	(6,137)	(3,034)	(290)	(3,324)
Balance at 30 June 2021 (unaudited)	398,980	20,663	676	3,933	(159,758)	264,494	29,569	294,063

The notes on pages 12 to 29 form part of this interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 – unaudited

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	19,891	5,475
Interest received	6,549	18,870
Tax refunded/(paid)	93	(224)
	<hr/>	<hr/>
Net cash generated from operating activities	26,533	24,121
Investing activities		
Acquisition of interest in a subsidiaries	–	(11,416)
Payment for purchase of property, plant and equipment	(1,408)	–
Acquisition of trading securities	(40)	–
Disposal of trading securities	40	–
	<hr/>	<hr/>
Net cash used in investing activities	(1,408)	(11,416)
Financing activities		
Payment for lease liabilities	(2,083)	(64)
	<hr/>	<hr/>
Net cash used in financing activities	(2,083)	(64)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the six months ended 30 June 2021 – unaudited

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net increase in cash and cash equivalents	23,042	12,641
Cash and cash equivalents at 1 January	58,178	22,428
Effect of foreign exchange rates changes	—	(31)
Cash and cash equivalents at 30 June (Note)	81,220	35,038

Note:

Cash and cash equivalents at 30 June 2021 and 30 June 2020 comprise:

	As at	As at
	30 June	30 June
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash at bank and in hand	81,220	35,038
Cash and cash equivalents per condensed consolidated cash flow statement	81,220	35,038

The notes on pages 12 to 29 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 30 August 2021.

The condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – Phase 2

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these impact on the accounting policies of the Group.

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 four 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 financial assets at fair value through profit or loss. Currently, the Group's equity investment portfolio includes equity securities listed on The Philippines Stock Exchange, Inc. and unlisted investment 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. Currently, the Group's activities in this segment are carried out in PRC and Hong Kong.

- Hospitality: This segment primarily derives the revenue from provision of procurement services relating to hospitality industry.

(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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
<i>For the six months ended 30 June:</i>										
Disaggregated by timing of revenue recognition										
Point of time	-	-	36,815	6,932	-	-	-	-	36,815	6,932
Over time	-	-	3,197	1,341	-	-	-	-	3,197	1,341
Revenue from external customers	-	-	40,012	8,273	-	-	-	-	40,012	8,273
Interest income	-	411	-	1	8,427	9,116	-	-	8,427	9,528
Reportable segment revenue	-	411	40,012	8,274	8,427	9,116	-	-	48,439	17,801
Reportable segment (loss)/profit	(12,193)	(23,071)	(2,923)	(70,047)	9,342	9,116	(637)	(4,139)	(6,411)	(88,141)
Depreciation and amortisation	(1,171)	(1,172)	(4,298)	(7,812)	-	-	-	-	(5,469)	(8,984)
Net realised and unrealised valuation loss on trading securities	(819)	(1,033)	-	-	-	-	-	-	(819)	(1,033)
Net realised and unrealised foreign exchange (loss)/gain	1,575	(1,580)	(1,031)	116	-	-	(8)	(78)	536	(1,542)
Impairment loss on trademarks	-	-	-	(61,031)	-	-	-	-	-	(61,031)
As at 30 June/31 December:										
Reportable segment assets	113,857	90,277	148,713	145,613	105,702	137,049	7,973	8,248	376,245	381,187
Reportable segment liabilities	62,443	64,973	18,101	16,914	-	-	1,491	1,859	82,035	83,746

(c) Reconciliations of reportable segment assets and liabilities

	As at 30 June 2021	As at 31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Assets		
Reportable segment assets	376,245	381,187
Current tax recoverable	16	109
	<hr/>	<hr/>
Consolidated total assets	<u>376,261</u>	<u>381,296</u>
Liabilities		
Reportable segment liabilities	82,035	83,746
Provision for taxation	163	163
	<hr/>	<hr/>
Consolidated total liabilities	<u>82,198</u>	<u>83,909</u>

4. 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from contracts within the scope of HKFRS 15		
Healthcare related services		
– Royalty fees	3,197	1,341
– Management fees	–	496
– Healthcare income	36,815	6,436
	<hr/>	<hr/>
	<u>40,012</u>	<u>8,273</u>

	Six months ended 30 June	
	2021	2020
	<i>HK\$' 000</i>	<i>HK\$' 000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from contracts not within the scope of HKFRS 15		
Money lending and related business activities		
– Interest income on third party loans	8,427	9,116
Investment holding activities		
– Other interest income	–	412
	<u>8,427</u>	<u>9,528</u>
Timing of revenue recognition within the scope of HKFRS 15		
A point in time		
– Healthcare related services	36,815	6,932
Overtime		
– Healthcare related services	3,197	1,341
	<u>40,012</u>	<u>8,273</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.

5. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net realised and unrealised foreign exchange gain/(loss)	536	(1,542)
Net realised and unrealised valuation loss on trading securities	(819)	(1,033)
(Loss)/gain from sales of property, plant and equipment	(65)	23
Impairment loss on trademarks	–	(61,031)
Impairment loss on prepayments	–	(7,750)
Interest income	21	–
Miscellaneous income	493	59
	<u>166</u>	<u>(71,274)</u>

6. 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.

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on lease payment	<u>2,083</u>	<u>64</u>
	<u>2,083</u>	<u>64</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for the period	—	—
Income tax expense	—	—

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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 (2020: 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 2021, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK\$137,100,000 (31 December 2020: HK\$122,700,000) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. Tax losses amounting to approximately HK\$14,400,000 have expiry dates between 1 to 5 years. Tax losses amounting to approximately HK\$72,000,000 have expiry dates of more than 5 years, the earliest expiry date is on 31 December 2030 and the latest expiry date is on 31 December 2037. The remaining tax losses amounting to approximately HK\$50,700,000 do not expire under the tax legislations of the respective jurisdiction.

9. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	22,072	11,694
Contributions to retirement benefits scheme	27	132
	<u>22,099</u>	<u>11,826</u>
b) Other items		
Depreciation of property, plant and equipment	682	356
Depreciation of right-of-use assets	3,212	1,017
Amortisation of intangible assets	1,575	7,611
	<u>1,575</u>	<u>7,611</u>

10. LOSS PER SHARE

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 approximately HK\$6,137,000 (six months ended 30 June 2020: HK\$54,110,000) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2020: 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 2021 and 30 June 2020.

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 2021 (six months ended 30 June 2020: nil).

- b) There were no dividends attributable to the previous financial year, approved and paid during the interim period of 2021 and 2020.

12. 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 2021	As at 31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables (note (a))	9,016	5,882
Interest receivables (note (a))	5,080	3,197
Less: Allowance for expected credit loss	(234)	(868)
	<hr/> 13,862	<hr/> 8,211
Due from an associate	120	119
Other receivables and deposits	3,388	3,323
Less: Allowance for expected credit loss	–	(78)
	<hr/> 17,370	<hr/> 11,575
Prepayments (note (b))	16,047	14,452
	<hr/> 33,417	<hr/> 26,027
Trade and other receivables	<u>33,417</u>	<u>26,027</u>
Analysed as:		
Non-current	10,147	11,366
Current	23,270	14,661
	<hr/> 33,417	<hr/> 26,027

(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 2021	As at 31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Less than 1 month	8,707	4,343
1 to 3 months	–	–
More than 3 months	5,155	3,868
	<u>13,862</u>	<u>8,211</u>

Included in trade receivables of HK\$3,775,000 (31 December 2020: HK\$3,770,000) 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\$9,800,000 (31 December 2020: HK\$10,600,000) paid in advance to business consultants who provide advisory services on the businesses of the Group.

13. LOAN RECEIVABLES

	As at 30 June 2021	As at 31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Loan to third parties	170,684	204,821
Less: Allowance for expected credit loss	(69,828)	(70,789)
	<u>100,856</u>	<u>134,032</u>
Analysed as:		
Secured	59,140	65,837
Unsecured	41,716	68,195
	<u>100,856</u>	<u>134,032</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\$100,900,000 (31 December 2020: approximately HK\$101,200,000) 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. The Group has then commenced legal proceedings in the PRC against the borrower and the guarantors by submitting and issuing the statement of civil claim* (民事起訴狀) to the No. 4 Intermediate People’s Court of Beijing Municipality* (北京市第四中級人民法院) (the “Intermediate Court”) in relation to the claim (the “Claim”) for, among other things, the outstanding amount and other ancillary fees and costs (e.g. legal). On 9 July 2020, the Intermediate Court issued the Acknowledgement on Receipt of Court Case* (受理案件通知書) and on 28 July 2020, the Intermediate Court issued the Civil Judgement* (民事裁定書) which stated that the assets and equity interests of the borrower and the Guarantors will be seized and frozen for one to three years (subject to the amount capped at approximately RMB63,848,600). The court hearing in relation to the Claim is scheduled to be held on 20 October 2021. In view of recovering the outstanding amount, the Company had initiated the bankruptcy proceedings against the 1st Guarantor. On 2 July 2021, the creditor’s bankruptcy petition (the “Petition”) on failure to comply with the statutory demand for a liquidated sum payable immediately has been presented to the High Court of the Hong Kong Special Administrative Region (the “High Court”). The court hearing in relation to the Petition has been scheduled to be held on 13 October 2021 at the High Court.

The remaining loans bear interest at rates ranging from 11% to 18.5% (31 December 2020: 11% to 18.5%) per annum, and are repayable within one year.

14. CASH AND CASH EQUIVALENTS

	As at 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i>
Cash at bank and in hand	81,220	58,178
Cash and cash equivalents available for use by the Group	<u>81,220</u>	<u>58,178</u>

15. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables	326	171
Other payables and accrued charges	26,726	28,283
	<u>27,052</u>	<u>28,454</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 2021 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i>
Due within 1 month or on demand	326	171
Due 1 to 3 months	–	–
Due 3 to 12 months	–	–
	<u>326</u>	<u>171</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.

16. 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 2021 (Unaudited) <i>HK\$'000</i>	Fair value measurements as at 30 June 2021 categorised into			Fair value at 31 December 2020 (Audited) <i>HK\$'000</i>	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>		Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>
Recurring fair value measurements								
Assets:								
Financial assets at FVTPL								
– Listed equity securities	547	547	–	–	351	351	–	–
– Unquoted investment	11,484	–	–	11,484	12,546	–	–	12,546
	<u>12,031</u>	<u>547</u>	<u>–</u>	<u>11,484</u>	<u>12,897</u>	<u>351</u>	<u>–</u>	<u>12,546</u>

During the six months ended 30 June 2021 and the year ended 31 December 2020, 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>
At 1 January 2020 (audited)	12,222
Net unrealised loss recognised in profit or loss	(1,033)
Translation differences	331
	<hr/>
At 30 June 2020 (unaudited)	<u>11,520</u>
At 1 January 2021 (audited)	12,546
Acquisition of trading securities	40
Disposal of trading securities	(40)
Net unrealised loss recognised in profit or loss	(819)
Translation differences	304
	<hr/>
At 30 June 2021 (unaudited)	<u>12,031</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

- (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 2021 and 31 December 2020.

17. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Business venture in which a non-controlling shareholder of a subsidiary is the owner		
Income received from trademark licensing	–	1,341
Income received from provision of procurement, marketing and management services	–	496
Fellow Subsidiary		
Income received from trademark licensing	3,197	–

18. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

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 2021 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\$6.1 million for the six months ended 30 June 2021 (the “Period”) as compared with a net loss attributable to the equity shareholders of the Company of approximately HK\$54.1 million in the previous corresponding period. The decrease in loss was mainly because there were impairment loss on trademarks of approximately HK\$61 million and impairment loss on prepayments of approximately HK\$7.8 million in the previous corresponding period.

Investment holding segment

The Group’s investment holding segment recorded a net realised and unrealised valuation loss on trading securities of approximately HK\$0.8 million as compared a net realised and unrealised valuation loss on trading securities of approximately HK\$1.0 million in the previous corresponding period. Consequently, the Group’s investment holding segment reported a loss before tax of approximately HK\$12.2 million for the Period as compared with a loss before tax of approximately HK\$23.1 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\$3.2 million for the Period which is increased by HK\$1.9 million as compared to the previous corresponding period, and DIAM contributed no service income for the Period which is decreased by HK\$0.5 million as compared to the previous corresponding period due to the continuous impact of COVID-19.

The indirectly wholly-owned subsidiary of the Company, 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. Shanghai hospital recorded revenue of approximately HK\$36.8 million and net loss of approximately HK\$2.0 million for the Period as compared with revenue of approximately HK\$6.4 million and net loss of approximately HK\$0.4 million for the period from 1 June 2020 to 30 June 2020.

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\$8.4 million for the Period, as compared with that of HK\$9.1 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\$nil for the Period as compared with the share of loss of approximately HK\$1.5 million in the previous corresponding period.

The Group's hospitality segment reported a loss before tax of approximately HK\$0.6 million for the Period as compared with a loss before tax of approximately HK\$4.1 million in the previous corresponding period.

PROSPECTS

Hospitality segment

The operating activities under hospitality segment of the Group include the operation by its associate, S-R Burlington Partners, LLC, in which the Group has 27% effective interest. 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

The indirectly wholly-owned subsidiary of the Company, Bright Zone Holdings Limited, which indirectly owns Shanghai Hospital, is principally engaged in the plastic surgery operation in Shanghai City of the PRC. The operation 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 2021, 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 2021 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 2021 (for the six months ended 30 June 2020: 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 2021, 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

Date of facility agreement	12 November 2018 (as supplemented by the supplemental deed dated 12 November 2019)
Borrower	Lead Dragon Limited
Guarantor(s)	Mr. Li Ming & Mr. Zhang Shihong
Principal	US\$13,000,000
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.
Term	15 months from date of facility agreement (i.e. 12 February 2020)
Default Interest	20% 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)
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 (<i>Note 1</i>)

Note 1:

On 17 January 2020, Mr. Li Ming, as chargor, and Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天醫醫療管理有限公司) (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.

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

The Group had no material acquisitions and disposals of subsidiaries, associates and joint venture during the Period.

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

Borrowings and Gearing

The Group did not have any bank borrowings as at 30 June 2021, the Group was in a net cash position amounting to HK\$81.2 million as at 30 June 2021. Hence, the Group’s gearing is zero, which is expressed as a percentage of current and noncurrent loans and borrowings less cash and cash equivalents over total equity attributable to equity shareholders of the Company.

Pledge of Assets

As at 30 June 2021, the Group did not pledge any of its assets.

Foreign Exchange Risk

The Group is exposed to foreign currency risk through deposits and withdrawals of fixed deposits, sales and purchases of the financial assets at fair value through profit or loss, and loan receivables that are denominated in a currency other than the functional currency of the entities to which they relate. The currencies giving rise to these risks are mainly the Sterling Pound, Singapore Dollar, Philippine Peso, Renminbi, South Korean Won, and US Dollar.

When necessary, the Group uses forward exchange contracts to hedge its specific currency risks. However, forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments. As at the reporting date, the Group had no outstanding forward exchange contracts.

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 108 employees, including directors. The total Group's staff costs comprising salaries, wages and other benefits was HK\$22.1 million for the six months ended 30 June 2021. The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality services.

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.

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 2021, 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 2021, 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 2021
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), 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 2021.

Continued Suspension of Trading in Shares of the Company and the Resumption Progress

Trading in the shares (the “Shares”) of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 24 August 2020. On 10 September 2020, the Stock Exchange informed the Company of the resumption guidance (the “Resumption Guidance”).

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period shall expire on 23 February 2022. If the Company fails to remedy the issues causing the trading suspension, fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in the shares of the Company by 23 February 2022, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company’s listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company has been continuously making effort in taking steps to fulfil the Resumption Guidance. On 6 August 2021, the Company has submitted a resumption plan to the Stock Exchange. The Internal Control Review has been completed by the independent internal control consultant engaged (the “Internal Control Consultant”). Based on the results of the Internal Control Review, there was nothing come to the attention of the Internal Control Consultant to indicate that there was any material irregularity or error on the financial reporting procedures and internal control systems of the Company and the Group. As at 23 August 2021, the Company has implemented the recommendations from the Internal Control Consultant and rectified the relevant deficiencies in the Group’s internal control system. The Company believes that adequate internal controls and procedures have been in place in the Company to comply with the Listing Rules. Notwithstanding the impact of COVID-19, the Group has continued to use its best endeavours to expand its business operation under the healthcare business segment and to recover the outstanding loan amount under the money lending business segment. The Board believes that the Group has a viable and sustainable business development to maintain sufficient level of operation and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of the Company’s securities, and the performance of the Group will further improve when the impacts of COVID-19 fade gradually. The Board considered that the Group will be able to comply with the requirements under Rule 13.24 of the Listing Rules.

The Company will continue to take appropriate measures to fulfill the Resumption Guidance imposed by the Stock Exchange and inform the market of all material information for Shareholders and potential investors to appraise the Company's position.

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 24 August 2020 and will remain suspended until further notice pending fulfilment of the Resumption Guidance.

For details, please refer to the announcement of the Company in relation to the Resumption Guidance dated 11 September 2020, and the announcements in relation to quarterly updates on recent development of suspension of trading of Shares dated 23 November 2020, 23 February 2021, 24 May 2021 and 23 August 2021.

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

Hong Kong, 30 August 2021