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)

2018 INTERIM RESULTS — ANNOUNCEMENT UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

RESULTS

The board (the "Board") of directors (the "Directors") of China Tian Yuan Healthcare Group Limited (the "Company") announces the following unaudited consolidated results of the Company, its subsidiaries, joint arrangements and associates (the "Group") for the six months ended 30 June 2018 (the "Period") together with comparative figures.

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2018 - unaudited

		Six months ended 30 June	
		2018	**2017**
	Note	*HK$'000*	*HK$'000*
Revenue		79,095	54,545
Cost of sales		(10,749)	(10,769)
Gross profit		68,346	43,776
Other net gains	3	17,769	3,308
Administrative expenses	4	(103,499)	(82,178)
Loss from operating activities		(17,384)	(35,094)
Finance costs	5	(565)	(694)
Share of losses of associates		(1,450)	(499)
Loss before taxation		(19,399)	(36,287)
Income tax expense	6	—	(8)
Loss for the period	7	(19,399)	(36,295)
Attributable to:			
Equity shareholders of the Company		(10,462)	(29,100)
Non-controlling interests		(8,937)	(7,195)
Loss for the period		(19,399)	(36,295)
Earnings per share		*HK cents*	*HK cents*
Basic loss per share	8	(2.62)	(7.61)
Diluted loss per share	8	(2.62)	(7.61)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2018 - unaudited

		Six months ended 30 June	
		2018	**2017**
	Note	*HK$'000*	*HK$'000*
Loss for the period		(19,399)	(36,295)
Other comprehensive income for the period (after taxation):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		1,333	1,171
Exchange differences on monetary items forming net investment in a foreign operation		134	214
		1,467	1,385
Items that will not be reclassified subsequently to profit or loss:			
Reclassified available-for-sale financial assets measured at cost less accumulated impairment losses to financial assets at fair value through other comprehensive income (non-recycling) upon the adoption of HKFRS 9	10	29,057	—
Loss on disposal of financial assets at fair value through other comprehensive income, net of tax	10	(4,030)	—
		25,027	—
Total other comprehensive income for the period		26,494	1,385
Total comprehensive income for the period		7,095	(34,910)
Attributable to:			
Equity shareholders of the Company		15,660	(27,917)
Non-controlling interests		(8,565)	(6,993)
Total comprehensive income for the period		7,095	(34,910)

Consolidated Statement of Financial Position
as at 30 June 2018 - unaudited

	Note	**As at 30 June 2018** *HK$'000*	**As at 31 December 2017** *HK$'000*
Non-current assets			
Property, plant and equipment		54,585	55,383
Intangible assets		152,461	161,311
Goodwill		96,421	94,837
Available-for-sale financial assets	10	—	18,321
Interest in associates		5,257	6,682
Trade and other receivables	13	23,420	28,567
Other financial assets	11	8,103	13,120
Total non-current assets		340,247	378,221
Current assets			
Trading securities		28,815	47,077
Trade and other receivables	13	89,930	42,669
Loan receivables	12	209,718	113,408
Current tax recoverable		2,629	2,884
Cash and cash equivalents		54,275	134,857
		385,367	340,895
Current liabilities			
Trade and other payables	14	(34,496)	(33,578)
Interest-bearing borrowings	15	(942)	(922)
Loan from non-controlling interests	16	(14,712)	—
Provision for taxation		(2,675)	(2,600)
		(52,825)	(37,100)
Net current assets		332,542	303,795
Total assets less current liabilities		672,789	682,016
Non-current liabilities			
Deferred rental expense		(1,795)	(586)
Deferred consideration		(1,728)	(1,719)
Deferred tax liabilities		(15,972)	(15,908)
Dividends received in excess of earnings from equity-method accounted joint venture		(228)	(227)
Interest-bearing borrowings	15	(28,585)	(28,946)
Loan from non-controlling interests	16	(38,056)	(42,787)
Other financial liabilities	17	(4,274)	(16,787)
		(90,638)	(106,960)
NET ASSETS		582,151	575,056
CAPITAL AND RESERVES			
Share capital		398,980	398,980
Share premium		20,663	20,663
Reserves		83,794	68,134
Total equity attributable to equity shareholders of the Company		503,437	487,777
Non-controlling interests		78,714	87,279
TOTAL EQUITY		582,151	575,056

Notes:-

1. Accounting policies

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2018 but are extracted from that report.

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

The interim financial results for the six months ended 30 June 2018 are unaudited, but have been reviewed by the Company's Audit Committee.

The interim financial results for the six months ended 30 June 2018 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the annual report for the year ended 31 December 2017, except for the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are expected to be effective for the financial year ending 31 December 2018. Details of these changes in accounting policies are set out below.

The Hong Kong Institute of Certified Public Accountants has issued a number of amendments to HKFRSs and Hong Kong Accounting Standards ("HKAS") that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from Contract with Customers*
- HK (IFRIC) 22, *Foreign currency transactions and advance considerations*

HKFRS 9, *Financial instruments*

The Group's financial assets that were measured at amortised cost and fair value through profit or loss continue with their respective classification and measurements with the adoption of HKFRS 9.

With respect to the Group's investment in equity assets that were classified as "available-for-sale", the Group has the option to irrevocably designate as fair value through other comprehensive income (without recycling) on transition to HKFRS 9. The Group had elected this designation option for these investments held on 1 January 2018 and has recognised fair value changes in respect of these investments in other comprehensive income as they arise. This gave rise to a change in accounting policy as the Group measure the available-for-sale investment at cost less accumulated impairment losses previously.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amount of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 HK$'000	Adjustments/ reclassification due to adoption of HKFRS 9 HK$'000	HKFRS 9 carrying amount at 1 January 2018 HK$'000
Available for sale financial assets	18,321	(18,321)	—
Financial assets at fair value through other comprehensive income	—	47,378	47,378
Fair value reserve	—	29,057	29,057

Upon the initial adoption of HKFRS 9, fair value gain of HK$29 million related to the remeasurement of financial assets at fair value through other comprehensive income has been recognised in fair value reserve (non-recycling) at 1 January 2018.

HKFRS 15, *Revenue from Contract with Customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaced the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction Contracts*, which specifies the accounting for revenue from construction contracts.

The adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

HK (IFRIC) 22, *Foreign currency transactions and advance considerations*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity received or pays advance consideration in a foreign currency.

The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

2. 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		Hospitality		Healthcare		Money Lending and Related Business		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June:										
Revenue from external customers	218	779	55,186	52,188	13,186	—	—	—	68,590	52,967
Interest income	425	1,567	—	11	—	—	10,080	—	10,505	1,578
Reportable segment revenue	643	2,346	55,186	52,199	13,186	—	10,080	—	79,095	54,545
Reportable segment (loss)/profit	(8,848)	(21,836)	(22,441)	(14,451)	1,810	—	10,080	—	(19,399)	(36,287)
Depreciation and amortisation	(155)	(154)	(3,959)	(2,588)	(7,699)	—	—	—	(11,813)	(2,742)
Net realised and unrealised valuation gain on trading securities	11,154	2,486	—	—	—	—	—	—	11,154	2,486
Net realised and unrealised foreign exchange (loss)/gain	(767)	2,481	(31)	(62)	(47)	—	—	—	(845)	2,419
Changes in fair values of other financial assets/liabilities and deferred consideration	7,489	—	—	—	—	—	—	—	7,489	—
Additions to non-current assets	9	10	866	866	—	—	—	—	875	876
As at 30 June / 31 December:										
Reportable segment assets	157,722	225,155	108,870	116,811	246,675	258,226	209,718	116,040	722,985	716,232
Reportable segment liabilities	10,140	8,039	114,236	99,859	440	17,654	—	—	124,816	125,552

3. Other net gains

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Changes in fair values of other financial assets/liabilities and deferred consideration	7,489	—
Net realised and unrealised foreign exchange (loss)/gain	(845)	2,419
Net realised and unrealised valuation gain on trading securities	11,154	2,486
Provision for diminution in value of investment in associate	—	(1,792)
Miscellanous income	(29)	195
	17,769	3,308

4. Administrative expenses

Administrative expenses comprise mainly:

a. Expenses incurred by the Group's Hospitality segment which include Sceptre Hospitality Resources, LLC and Sheraton Chapel Hill Hotel, North Carolina, U.S., a hotel jointly owned by a subsidiary of the Group.

b. Expenses incurred by the Group's Investment Holding segment including directors' remuneration and professional fees.

5. Finance costs

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Amortisation of capitalised transaction costs	—	88
Interest expenses on borrowings	565	606
	565	694

6. Income tax expense

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Current tax - Overseas		
Provision for the period	—	8
Income tax expense from continuing operations	—	8

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) of the estimated assessable profits for the period ended 30 June 2018. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

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

As at 30 June 2018, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK$67.6 million (31 December 2017: HK$101.5 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

7. Loss for the period

Loss for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	1,880	1,487
Amortisation of intangible assets	9,933	1,255
Operating lease charges — rental of properties	6,590	3,269
Dividend and interest income	(10,723)	(2,357)

8. Earnings per share

a) Basic losses per share

The calculation of basic losses per share is based on loss attributable to ordinary equity shareholders of the Company of HK$10.5 million (six months ended 30 June 2017: HK$29.1 million) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2017: 382,449,524) in issue during the Period.

b) Diluted losses per share

Diluted losses per share is the same as the basic losses per share because the Group has no dilutive securities that are convertible into shares during the six months ended 30 June 2018 and 30 June 2017.

9. 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 2018 (2017: nil).

b) There were no dividends attributable to the previous financial year, approved and paid during the interim period of 2018 and 2017.

10. Available-for-sale financial assets

In May 2018, the Group had disposed its investment in a closed-ended unlisted private equity fund, named as BEA Blue Sky Real Estate Fund LP, which was reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income as at 1 January 2018 and a fair value gain of HK$29 million has been recognised in fair value reserve (non-recycling).

At the time of disposal, the redemption price is US$5.5 million, and the Group recorded a loss on disposal of HK$4 million in other comprehensive income.

11 . Other financial assets

The other financial assets relate to the dividend forgone by non-controlling shareholders of HK$7,852,000 (31 December 2017: HK$ 12,632,000) and revenue and profit guarantee from non-controlling shareholders of HK$251,000 (31 December 2017: HK$ 488,000). These other financial assets are measured at fair value.

12. Loan receivables

The Group granted five loans to third parties. Two of the loans bear interest at rate of 12% (31 December 2017: 12%) per annum and are repayable within one year in which one of the loans is secured by the pledge of properties owned by two individuals who have also extended personal guarantee in favour of the borrower and other loan is secured by personal guarantee in favour of the borrower. The remaining loans are unsecured and bear interest at rates of 10%-14% (31 December 2017: 10%) per annum and are repayable within one year.

After the Period ended, one of the loans did not meet the original repayment date. The Company and the borrower of such loan are in the course of negotiation in relation to the repayment arrangement in respect of such loan with a view of creation of a new facility.

Another loan which did not meet the original repayment date during the Period has been extended and is repayable within one year.

13. Trade and other receivables

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

	As at 30 June 2018	**As at 31 December 2017**
	HK$'000	*HK$'000*
Less than 1 month	14,919	19,431
1 to 3 months	3,697	8,545
3 to 12 months	9,765	2,930
Total third-party trade receivables, net of impairment loss	28,381	30,906
Consideration receivables	43,485	—
Other receivables and deposits	10,086	8,801
Loans and receivables	81,952	39,707
Prepayments	31,398	31,529
	113,350	71,236
Non-current	23,420	28,567
Current	89,930	42,669
	113,350	71,236

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

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

b) Consideration receivable related to disposal of financial assets at fair values through other comprehensive income.

c) Other receivables and deposits consists mainly of rental deposits.

d) Prepayments mainly consist of professional fee of HK$26.5 million (2017: HK$27.9 million) paid in advance to business consultants who provide advisory services on the businesses of the Group.

14. Trade and other payables

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000*
Trade payables	9,737	6,463
Other payables and accrued charges	21,252	22,582
	30,989	29,045
Deferred income	3,507	4,533
	34,496	33,578

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

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000*
Due within 1 month or on demand	11,857	13,950
Due 1 to 3 months	4,230	3,941
Due 3 to 12 months	14,902	11,154
	30,989	29,045

15. Interest-bearing borrowings

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000*
Bank loan (secured)	29,527	29,868
Repayable:		
- Within 1 year	942	922
- After 1 year but within 2 years	983	951
- After 2 years but within 5 years	27,602	3,133
- After 5 years	—	24,862
	28,585	28,946
	29,527	29,868

The Group's term loan is secured by:

- a first priority mortgage of Sheraton Chapel Hill Hotel, its improvements, equipment and fixtures with a carrying amount of HK$35.8 million as at 30 June 2018 (31 December 2017: HK$36.2 million);

- assignments of all rights and benefits to sale, lease, agreements, trademarks and insurance proceeds in respect of Sheraton Chapel Hill Hotel;

- pledge of monies held in specific bank accounts of HK$2.6 million as at 30 June 2018 (31 December 2017: HK$2.6 million); and

- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Non-recourse Carveout Guarantees

As of 30 June 2018, RHI and SWAN USA, Inc ("the Guarantors"), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group's joint operation and associate, as set out below:

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

- RHI and SWAN USA, Inc are guarantors of indebtedness of the term loans entered into by RBH Mezz, LLC and Rich Burlington Hotel, LLC, which are underlying investments of S-R Burlington Partners, LLC. The term guarantees has been refinanced and has an extended expiry date of 9 December 2020.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered by the Guarantors provide the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages ("covenants"). The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees is HK$212.9 million as at 30 June 2018 (31 December 2017: HK$165.6 million).

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

16. Loan from non-controlling interests

The loan from non-controlling interests is unsecured and interest free. The loan is due for repayment over the period from February 2019 to May 2020.

17. Other financial liabilities

The other financial liabilities relate to put and call option in relate to the acquisition of certain percentage of shareholding of non-controlling interests. The other financial liabilities are measured at fair value.

18. Events after the end of the reporting period

No significant events occurred after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$10.5 million for the Period as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$29.1 million in the previous corresponding period. The lower loss was mainly attributable to the higher gross profit arising from healthcare business and money lending and related business and net realised and unrealised valuation gain on trading securities for the Period.

Investment Holding segment

The Group's Investment Holding segment recorded a net gain on fair value of other financial assets/liabilities and deferred consideration of approximately HK$7.5 million, and a net realised and unrealised valuation gain on trading securities of approximately HK$11.2 million which is partially affected by the net realised and unrealised foreign exchange loss of approximately HK$0.8 million. Overall, the total net realised and unrealised gain of approximately HK$17.9 million was recorded for the Period as compared with the total net realised and unrealised gain of approximately HK$4.9 million in the previous corresponding period. Consequently, the Group's Investment Holding segment reported a loss before tax of approximately HK$8.8 million for the Period as compared with a loss before tax of approximately HK$21.8 million in the previous corresponding period.

Hospitality segment

Regarding the Group's Hospitality segment, the Group's U.S. hotel management arm, Richfield Hospitality, lnc. recorded a lower management fee income of approximately HK$3.3 million for the Period, down by approximately HK$0.8 million from approximately HK$4.1 million in the previous corresponding period. The decrease in revenue with higher administrative expenses resulted in a loss before tax of approximately HK$4.6 million for the Period as compared with a loss before tax of approximately HK$1.6 million in the previous corresponding period.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total a revenue of approximately HK$10.4 million for the Period as compared with approximately HK$11.3 million for the previous corresponding period. The loss before tax of approximately HK$0.9 million for the Period as compared with a profit contribution of approximately HK$0.1 million in the previous corresponding period.

The Group's 51% equity interest in Sceptre Hospitality Resources, LLC, together with its subsidiaries, Sceptre Hospitality Resources Pte. Ltd, Sceptre Hospitality Resources Europe S.L. and Cross-Tinental S.L. ("SHR Group"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded higher revenue of approximately HK$41.5 million for the Period, up by approximately HK$6.5 million or 19% from approximately HK$35.0 million in the previous corresponding period. However, SHR Group incurred higher administrative expenses during the Period to support the revenue growth, resulting in an operating loss of approximately HK$15.4 million for the Period as compared with an operating loss of approximately HK$12.2 million in the previous corresponding period.

The Group also 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$0.5 million in the previous corresponding period.

Consequently, the Group's Hospitality segment reported a loss before tax of approximately HK$22.4 million for the Period as compared with a loss before tax of approximately HK$14.5 million in the previous corresponding period.

Healthcare segment

On 31 August 2017, the Group effectively obtained approximately 51% of the enlarged issued share capital of PRIP Communications Limited ("PRIP") and obtained control of PRIP and its wholly-owned subsidiary DIAM Holdings Co., Ltd. ("DIAM"). PRIP and DIAM forms the Group's new Healthcare segment. PRIP contributed royalty income of approximately HK$4.1 million, and DIAM contributed service income of approximately HK$9.1 million during the Period.

Money Lending and Related Business segment

Regarding the Group's newly setup Money Lending and Related Business segment, the Company recognised interest income from third parties loans of HK$10.1 million during the Period. No such income arose in the previous corresponding period.

PROSPECTS

The Group remains cautious in the midst of the global uncertainty, though real estate and hospitality markets in the U.S. have remained active. The Group is in consultation with its joint venture partners to respond to market demand in our investments.

The Group will adopt a prudent approach in managing the Hospitality related businesses by ensuring that costs are kept in line with the level of business activities in order to reduce loss in the segment.

Besides the Hospitality segment, the Group is exploring healthcare sector. China's plastic surgery industry is on a fast growth track. According to Zhongshang Industry Research Institute* (中商產業研究院), the medical aesthetic industry in China had a turnover amounted to RMB51.1 billion in 2015 and maintained an annual growth rate over 20% in the past 4 years. With the further improvement of living standards and higher acceptance of medical beauty in general public, the medical aesthetic market in China will further expanded in the future. According to the research report published by Changjiang Securities* (長江證券), it is expected that the market size of the medical aesthetic industry in China will be amounted to RMB252.4 billion by 2025, which is nearly 5 times of the current market size and represents an enormous room for growth.

In order to diversify the business of the Group and maximise returns to the shareholders, the Group has been actively seeking various investment opportunities in high-growth healthcare-related industries, including but not limited to the plastic surgery and assisted reproductive IVF services in China and other Asia markets. On 16 May 2018, Tianyuan IVF Medical Investment Limited ("Tianyuan IVF"), a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Omega Consultant Co., Ltd.* (บริษัท ไอเมก้า คอนซัลเทนท์ จำกัด) ("Omega") and Sukhaphapdee Aryuyeun Karnphat Co., Ltd.* (บริษัท สขภาพดี-อายยืน การแพทย์ จำกัด) ("Sukhaphapdee") pursuant to which Tianyuan IVF, Omega and Sukhaphapdee agreed to set up a joint venture company (the "Joint Venture") in Thailand which will engage in the business of developing, operating and investing in the In-Vitro Fertilization and other auxiliary services. The Joint Venture will apply for all required licenses for carrying out the Business in compliance with all the applicable laws in Thailand.

In addition, the Group commenced a new business segment since second half of 2017 by entering into money lending and related businesses which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation (the "New Business Activities") but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Group intends to develop the New Business Activities by leveraging and making good use of the resource and network of the two executive Directors in banking and finance industries.

In July 2018, Delightful Aesthetics Investment Limited, a wholly-owned subsidiary of the Company was granted a money lending licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong).

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. The Audit Committee has reviewed the unaudited interim results and the interim financial information for the six months ended 30 June 2018 of the Group for the Period with no disagreement.

OTHER INFORMATION

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 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.

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.

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

Hong Kong, 30 August 2018

As at the date of this announcement, the Board comprises five directors of which Mr. Jiang Yulin and Ms. Zhang Xian are the executive directors; and Mr. Hu Baihe, Mr. Yuen Kwok Kuen and Mr. Guo Jingbin are the independent non-executive directors.

* *for identification purposes only.*