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TIAN YUAN HEALTHCARE
天 元 医 疗

CHINA TIAN YUAN HEALTHCARE GROUP LIMITED
中國天元醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

2020 INTERIM RESULTS — ANNOUNCEMENT UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 (the "Period") together with comparative figures.

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2020 - unaudited

	Notes	Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000*
Continuing Operations			
Revenue		17,801	27,692
Cost of sales		(1,691)	–
Gross profit		16,110	27,692
Other losses, net	4	(71,274)	(1,001)
Administrative expenses	5	(31,456)	(34,565)
Loss from operating activities		(86,620)	(7,874)
Share of losses of associates (net of tax)		(1,457)	(875)
Finance costs	6	(64)	(64)
Loss before taxation		(88,141)	(8,813)
Income tax expense	7	–	–
Loss for the period from continuing operations	9	(88,141)	(8,813)
Discontinued operations			
Loss for the period from discontinued operations	8	–	(6,713)
Loss for the period		(88,141)	(15,526)
Loss for the period attributable to:			
Equity shareholders of the Company			
– from continuing operations		(54,110)	(7,426)
– from discontinued operations		–	(5,854)
		(54,110)	(13,280)
Non-controlling interests			
– from continuing operations		(34,031)	(1,387)
– from discontinued operations		–	(859)
		(34,031)	(2,246)
Loss for the period		(88,141)	(15,526)
Loss per share		*HK cents*	*HK cents*
Basic loss per share	10		
– for the period		(13.56)	(3.33)
– from continuing operations		(13.56)	(1.86)
Diluted loss per share	10		
– for the period		(13.56)	(3.33)
– from continuing operations		(13.56)	(1.86)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2020 - unaudited

	Six months ended 30 June	
	2020	**2019**
	HK$'000	*HK$'000*
Loss for the period	(88,141)	(15,526)
Other comprehensive loss/(income) for the period (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(3,693)	16
Exchange differences on monetary items forming net investment in a foreign operation	(41)	23
Total other comprehensive (loss)/income for the period	(3,734)	39
Total comprehensive loss for the period	(91,875)	(15,487)
Attributable to:		
Equity shareholders of the Company	(56,539)	(13,417)
Non-controlling interests	(35,336)	(2,070)
Total comprehensive loss for the period	(91,875)	(15,487)

Consolidated Statement of Financial Position
as at 30 June 2020 - unaudited

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

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

Note: Certain comparative amounts have been restated in connection with certain prior year adjustments as further detailed in note 2 to the financial statements.

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 2020 but are extracted from that report.

The condensed consolidated interim financial statements have 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 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 "HKICPA").

The unaudited interim financial report contains consolidated financial statements and selected explanatory notes. The notes include 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 annual financial statements for the year ended 31 December 2019. 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 financial information relating to the financial year ended 31 December 2019 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The interim financial report for the six months ended 30 June 2020 has 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 2019, except for the amendments to HKFRSs that are expected to be effective for the financial year ending 31 December 2020.

In the current period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

Amendments to HKFRS 3, Definition of a Business

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

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

2. Restatement of prior year's financial statements

During the finalisation of the consolidated financial statements of the Group for the period ended 30 June 2020, management has reassessed the relevant facts and circumstances and the appropriate accounting treatments of certain transactions entered into by the Group in the prior period and considered that certain prior period adjustments should be made to correct the prior period errors as described below.

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

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

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

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

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

(b) Goodwill associated with the Acquisition

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

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

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

(c) Prepayment for advisory services

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

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

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

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

Restated condensed consolidated statement of financial position

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

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:

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

4. Other losses, net

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

5. 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.

6. Finance costs

	Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000*
Interest expenses on lease payment	64	64
	64	64

7. Income tax expense

	Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000*
Current tax		
Provision for the period	–	–
Income tax expense	–	–

8. Discontinued operations

Discontinued operations relate to hospitality segment

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

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

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

	Six months ended 30 June 2019 *HK$'000*
Revenue	64,771
Cost of sales	(11,969)
Gross profit	52,802
Other net losses	(14)
Administrative expenses	(58,790)
Loss from operating activities	(6,002)
Finance costs	(711)
Share of losses of associates	–
Loss before taxation	(6,713)
Income tax expense	–
Loss for the period from discontinued operations	(6,713)
Attributable to:	
Equity shareholders of the Company	(5,854)
Non-controlling interests	(859)
Loss for the period	(6,713)
Loss for period from discontinued operations attributable to:	
Equity shareholders of the Company	(5,854)
Non-controlling interests	(859)
	(6,713)

8. Discontinued operations (continued)

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

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

9. Loss for the period

Loss for the period is arrived at after charging:

	Six months ended 30 June	
	2020 *HK$'000*	**2019** *HK$'000*
Depreciation of property, plant and equipment	356	155
Depreciation of right-of-use assets	1,017	1,038
Amortisation of intangible assets	7,611	7,671

10. Loss per share

For the period

a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of HK$54.1 million (six months ended 30 June 2019: HK$13.3 million) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2019: 398,979,524) in issue during the period.

b) Diluted loss per share

Diluted loss per share is the same as the basic loss per share because the Group has no dilutive securities that are convertible into shares during the six months ended 30 June 2020 and 30 June 2019.

From continuing operations

a) Basic loss per share

The calculation of basic loss per share from continuing operations is based on loss attributable to ordinary equity shareholders from continuing operations of the Company of HK$54.1 million (six months ended 30 June 2019: HK$7.4 million) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2019: 398,979,524) in issue during the period.

b) Diluted loss per share

Diluted loss per share is the same as the basic loss per share because the Group has no dilutive securities that are convertible into shares during the six months ended 30 June 2020 and 30 June 2019.

11. Dividends

a) Dividend attributable to the interim period

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

12. Trade and other receivables

	As at 30 June 2020 *HK$'000*	**As at 31 December 2019** *HK$'000* *(restated)*	**As at 1 January 2019** *HK$'000* *(restated)*
Trade receivables (note (a))	7,304	17,872	28,903
Interest receivables (note (a))	17,427	27,114	15,091
Less: Allowance for expected credit loss	(1,119)	(1,169)	(62)
	23,612	43,817	43,932
Due from an associate	–	–	1,254
Other receivables and deposits	17,646	22,090	19,074
Less: Allowance for expected credit loss	(6,550)	(6,551)	–
	34,708	59,356	64,260
Prepayments (note (b))	16,754	22,142	17,865
Trade and other receivables	51,462	81,498	82,125
Non-current	10,964	12,232	14,541
Current	40,498	69,266	67,584
	51,462	81,498	82,125

(a) Ageing analysis

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

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

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

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

12. **Trade and other receivables (continued)**

(b) **Prepayments**

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

During the period, the Group had paid US$1,000,000 (approximately HK$7,752,000) in relation to further acquisition of equity interest in PRIP in early 2020. However, due to the situation mentioned under note 2(a) and the dispute with the non-controlling shareholder, Dr. Lee, the management of the Company expected that the recoverability of the payments is uncertain. Accordingly, impairment was recognised against the balances as of the end of the reporting period.

13. **Loan receivables**

	As at 30 June 2020 *HK$'000*	**As at 31 December 2019** *HK$'000*
Loan to third parties	234,439	254,482
Less: Allowance for expected credit loss	(68,400)	(68,468)
	166,039	186,014
Analysed as:		
Secured	–	38,455
Unsecured	166,039	147,559
	166,039	186,014

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.

13. **Loan receivables (continued)**

One of the loans to third parties of approximately HK$101.2 million (2019: approximately HK$101.2 million) which is secured by a pledge of properties owned by two individuals who have also extended personal guarantees in favour of the borrower. On 12 February 2020, the aforesaid outstanding amount has fallen due. However, the borrower informed the Company that it was unable to repay the said principal amount and the accrued interest at the repayment date, which constituted a default in repayment of the principal amount and accrued interest. On 5 March 2020, the borrower, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK$17,800,000) to a wholly-owned subsidiary of the Company incorporated in the PRC as partial repayment ("Repayment 1"). On 6 March 2020, one of the personal guarantor ("1st Guarantor") paid a sum of HK$33,000,000 to the Company as partial repayment ("Repayment 2"). Taking into account of Repayment 2 is not lower than the estimated market value of 1st Guarantor's residential property in Hong Kong as secured under the second legal charge, on 15 March 2020, instead of exercising the second legal charge, the Company entered into a deed of partial release to release the second legal charge over the residential property in Hong Kong charged by the 1st Guarantor under the second legal charge in favour of the Company. Allowance for expected credit loss was provided for the remaining amount after the settlement of Repayment 1 and Repayment 2. Another loan of approximately HK$60.2 million (2019: approximately HK$60.5 million) which is secured by personal guarantee from a shareholder of a borrower.

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

14. **Trade and other payables**

	As at 30 June 2020 *HK$'000*	**As at 31 December 2019** *HK$'000*
Trade payables (note (a))	1,077	–
Other payables and accrued charges	54,287	13,659
	55,364	13,659

(a) **Ageing analysis**

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

	2020 *HK$'000*	**2019** *HK$'000*
Less than 1 month	–	–
1 to 3 months	–	–
3 to 12 months	1,077	–
	1,077	–

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.

15. Other financial liabilities

Other financial liabilities relate to the put and call option arising from the acquisition of a subsidiary in 2017. This liability arises when there are contractual obligations enabling (i) the Company to require non-controlling shareholders to sell their shares to the Company and (ii) non controlling shareholders to put their shares back to the Company, at an agreed price.

16. Acquisition of subsidiaries

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

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

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

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

	Fair value *HK$'000*
Inventory	2,534
Property, plant and equipment	6,607
Trade and other receivables	11,069
Cash and cash equivalents	1,451
Trade and other payables	(47,441)
Total identifiable net liabilities at fair value	(25,780)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of Shanghai Hospital Group	8,891
Goodwill on acquisition	49,726
Total consideration, satisfied by cash	32,837
Net cash outflow arising on acquisition:	
Cash consideration	32,837
Less: Cash and cash equivalent balances acquired	(1,451)
	31,386

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

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

17. Comparative figures

Certain comparative figures have been restated in connection with certain prior year adjustments as further detailed in note 2 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$54.1 million for the Period as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$13.3 million in the previous corresponding period. The higher loss was mainly due to impairment loss on trademarks of approximately HK$61.0 million recorded for the Period.

Hospitality segment

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

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

Healthcare segment

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

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

Money lending and related business segment

Regarding the Group's money lending and related business segment, the Group recognised interest income from third parties loans of HK$9.1 million for the Period, as compared with handling income of HK$3.1 million and interest income from third parties loans of HK$12.3 million in the previous corresponding period.

Investment holding segment

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

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

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

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

Money lending and related business

In 2020, the Group will continue its money lending and related business, which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Group will continue to develop the money lending and related business by leveraging and making good use of the resource and network of the 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. The Audit Committee has reviewed the unaudited interim results and the interim financial information for the Period with no disagreement.

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

OTHER INFORMATION

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

CORPORATE GOVERNANCE CODE

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

CONTINUED SUSPENSION OF TRADING

At the request of the Company, 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. Further announcement(s) will be made by the Company to inform the Shareholders and potential investors of any material development relating to the captioned matters as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 21 May 2021

As at the date of this announcement, the Board comprises seven Directors of which Mr. Wang Huabing (chairman) and Ms. Zhang Xian are the executive Directors; Ms. He Mei and Mr. Zhou Yuan are the non-executive Directors and Mr. Hu Baihe, Mr. Yuen Kwok Kuen and Mr. Guo Jingbin are the independent non-executive Directors.

* *for identification purpose only*