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 FINAL RESULTS – ANNOUNCEMENT
AUDITED CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "Board") of directors (the "Directors") of China Tian Yuan Healthcare Group Limited (the "Company") announces the following consolidated results of the Company and its subsidiaries, joint arrangements and associates (the "Group") for the year ended 31 December 2020 ("FY2020") together with comparative figures.

The Board hereby announces the audited consolidated results of the Group for the year together with the comparative figures for the previous year as follows:

Consolidated Statement of Profit or Loss
for the year ended 31 December 2020

	Notes	**2020** *HK$'000*	**2019** *HK$'000 (restated)*
Continuing operations			
Revenue	4	56,340	70,548
Cost of sales		(18,766)	–
Gross profit		37,574	70,548
Other losses, net	5	(80,501)	(80,962)
Reversal of/(allowance for) expected credit loss		3,240	(76,188)
Administrative expenses	6	(84,172)	(71,194)
Share of profit/(loss) of associates (net of tax)		549	(4,897)
Finance costs	7	(2,537)	(189)
Loss before taxation	10	(125,847)	(162,882)
Income tax credit/(expense)	8	15,812	(219)
Loss for the year from continuing operations		(110,035)	(163,101)
Discontinued operations			
Gain for the year from discontinued operations	9	–	23,777
Loss for the year		(110,035)	(139,324)
Loss for the year attributable to:			
Equity shareholders of the Company			
– from continuing operations		(65,101)	(168,173)
– from discontinued operations		–	24,893
		(65,101)	(143,280)
Non-controlling interests			
– from continuing operations		(44,934)	5,072
– from discontinued operations		–	(1,116)
		(44,934)	3,956
Loss for the year		(110,035)	(139,324)
Loss per share	11	*HK cents*	*HK cents (restated)*
Basic loss per share			
– for the year		(16.31)	(35.91)
– from continuing operations		(16.31)	(42.15)
Diluted loss per share			
– for the year		(16.31)	(35.91)
– from continuing operations		(16.31)	(42.15)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Loss for the year	(110,035)	(139,324)
Other comprehensive income/loss for the year (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	4,674	(2,146)
Exchange differences on monetary item forming net investment in a foreign operation	(32)	181
Total other comprehensive income/(loss) for the year	4,642	(1,965)
Total comprehensive loss for the year	(105,393)	(141,289)
Total comprehensive expense attributable to:		
Equity shareholders of the Company	(63,174)	(144,729)
Non-controlling interests	(42,219)	3,440
Total comprehensive loss for the year	(105,393)	(141,289)

Consolidated Statement of Financial Position
as at 31 December 2020

	Notes	**31 December 2020** *HK$'000*	**31 December 2019** *HK$'000* *(restated)*	**1 January 2019** *HK$'000* *(restated)*
Non-current assets				
Property, plant and equipment		59,362	4,631	53,845
Intangible assets		20,999	117,396	142,653
Goodwill	13	60,687	7,119	95,016
Financial assets at fair value through other comprehensive income		–	–	538
Interests in associates		7,111	6,122	8,367
Trade and other receivables	14	11,366	12,232	14,541
		159,525	147,500	314,960
Current assets				
Trade and other receivables	14	14,661	69,266	67,584
Inventory		1,894	–	–
Financial assets at fair value through profit or loss		12,897	12,547	16,730
Loan receivables	15	134,032	186,014	171,699
Other financial assets		–	–	7,813
Amounts due from fellow subsidiaries		–	11,043	1,138
Current tax recoverable		109	491	485
Cash and cash equivalents		58,178	22,428	114,346
		221,771	301,789	379,795
Current liabilities				
Trade and other payables	16	(28,454)	(13,659)	(35,312)
Lease liabilities		(3,248)	(2,049)	–
Interest-bearing borrowings		–	–	(960)
Deferred consideration		–	–	(1,728)
Loans from non-controlling interests		–	–	(21,961)
Provision for taxation		(163)	(568)	(2,995)
		(31,865)	(16,276)	(62,956)
Net current assets		189,906	285,513	316,839
Total assets less current liabilities		349,431	433,013	631,799

	Notes	31 December 2020 HK$'000	31 December 2019 HK$'000 (restated)	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		(51,817)	(1,374)	–
Deferred rental expense		–	–	(1,897)
Deferred tax liabilities	17	–	(15,852)	(15,938)
Interest-bearing borrowings		–	–	(28,041)
Loans from non-controlling interests		–	–	(11,940)
Other financial liabilities	18	–	–	(8,272)
		(52,044)	(17,453)	(66,315)
NET ASSETS		297,387	415,560	565,484
CAPITAL AND RESERVES				
Share capital	19	398,980	398,980	398,980
Share premium		20,663	20,663	20,663
Reserves		(152,115)	(88,941)	55,788
Equity attributable to equity shareholders of the Company		267,528	330,702	475,431
Non-controlling interests		29,859	84,858	90,053
TOTAL EQUITY		297,387	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. Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

The audited annual results for the year ended 31 December 2020 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 2019, except for the accounting policy changes that are effective for the year ended 31 December 2020.

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

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

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

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

During the year, 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.

2. Restatement of prior year's financial statements (Continued)

(b) Goodwill associated with the Acquisition

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

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

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

(c) Prepayment for advisory services

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

During the year, 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 amortization of retainer services in remaining 10 years.

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

2. Restatement of prior year's financial statements (Continued)

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 consolidated statement of financial position

	As originally stated *HK$'000*	Prior year adjustments *HK$'000*	As restated *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

Restated statement of financial position

	As originally stated *HK$'000*	Prior year adjustments *HK$'000*	As restated *HK$'000*
As at 31 December 2019			
Non-current assets			
Trade and other receivables	19,820	(7,924)	11,896
Current assets			
Trade and other receivables	29,598	(1,279)	28,319
Capital and reserves			
Reserves	(107,513)	(9,203)	(116,716)
As at 1 January 2019			
Non-current assets	23,037	(9,238)	13,799
Trade and other receivables			
Current assets			
Trade and other receivables	31,704	(1,279)	30,425
Capital and reserves			
Reserves	130,967	(10,517)	120,450

Restated consolidated statement of profit or loss and other comprehensive income

	As originally stated *HK$'000*	Prior year adjustments *HK$'000*	As restated *HK$'000*
For the year ended 31 December 2019			
Other losses, net	(106,571)	25,609	(80,962)
Administrative expenses	(72,508)	1,314	(71,194)
Loss for the year	(166,247)	26,923	(139,324)
Total comprehensive loss	(168,212)	26,923	(141,289)

3. Segment reporting

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following five 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. No operating segments have been aggregated to form the following reportable segments.

Continuing operations

Investment holding:	This segment relates to investments in listed equity investments, and unlisted marketable equitable equity mutual funds held as financial assets at fair value through profit or loss ("FVTPL"). Currently, the Group's equity investment portfolio includes equity securities listed on The Philippines Stock Exchange, Inc. and an 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 as well as revenue from providing plastic surgery services generated from newly acquired Shanghai Hospital in PRC. Currently, the Group's activities in this segment are carried out in People's Republic of China ("PRC"), Hong Kong and Korea.
Money lending and related business:	This segment primarily derives the revenue from the interests earned from the provision of loans to third parties, as well as referral and handling fees receivable for the provision of loan related services and the introduction of prospective lenders and borrowers. Currently, the Group's activities in this segment are carried out in PRC and Hong Kong.
Hospitality continuing operations:	This segment primarily derives the revenue from the provision of procurement services relating to hospitality industry.

Discontinued operations

Hospitality discontinued operations:	This segment primarily derives the revenue from provision of hotel reservation as well as owning and managing hotel which are carried out in the United States of America and Europe.

3. Segment reporting (Continued)

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 years ended 31 December 2020 and 2019 are set out below:

	Continuing operations								Discontinued operations			
	Investment Holding		Hospitality		Healthcare		Money Lending and Related Business		Hospitality		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)				*(restated)*						*(restated)*
Disaggregated by timing of revenue recognition												
Point in time	**–**	–	**78**	272	**36,738**	13,958	**–**	3,061	**–**	65,894	**36,816**	83,185
Over time	**–**	–	**–**	–	**2,667**	20,338	**–**	–	**–**	–	**2,667**	20,338
Revenue from external customers	**–**	–	**78**	272	**39,405**	34,296	**–**	3,061	**–**	65,894	**39,483**	103,523
Interest income	**110**	–	**–**	–	**6**	–	**16,857**	32,919	**–**	–	**16,973**	32,919
Reportable segment revenue	**110**	–	**78**	272	**39,411**	34,296	**16,857**	35,980	**–**	65,894	**56,456**	136,442
Reportable segment (loss)/profit	**(27,026)**	(47,713)	**(5,597)**	(11,298)	**(114,166)**	(64,787)	**20,942**	(39,084)	**–**	23,777	**(125,847)**	(139,105)
Depreciation and amortisation	**(2,344)**	(2,421)	**(31)**	(15)	**(18,767)**	(15,437)	**–**	–	**–**	(4,781)	**(21,142)**	(22,654)
Impairment loss on												
– goodwill *(as restated)*	**–**	–	**–**	–	**–**	(80,101)	**–**	–	**–**	–	**–**	(80,101)
– investment in an associate	**–**	(2,208)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(2,208)
– trademarks	**–**	–	**–**	–	**(62,721)**	–	**–**	–	**–**	–	**(62,721)**	–
– intangible assets	**–**	–	**–**	–	**(17,904)**	–	**–**	–	**–**	–	**(17,904)**	–
Net realised and unrealised valuation loss on financial assets at FVTPL	**333**	(4,194)	**–**	–	**–**	–	**–**	–	**–**	–	**333**	(4,194)
Net realised and unrealised foreign exchange (loss)/gain	**10,049**	(2,687)	**(8)**	(4)	**(2,847)**	23	**–**	115	**–**	(19)	**7,194**	(2,572)
Net gain on other financial liabilities *(as restated)*	**–**	–	**–**	–	**–**	7,931	**–**	–	**–**	–	**–**	7,931
Additions to non-current assets	**–**	–	**–**	–	**–**	988	**–**	–	**–**	9,101	**–**	10,089
Reportable segment assets *(as restated)*	**90,277**	77,309	**8,248**	12,343	**145,613**	145,974	**137,049**	213,172	**–**		**381,187**	448,798
Reportable segment liabilities *(as restated)*	**64,973**	15,210	**1,859**	1,263	**16,914**	836	**–**	–	**–**	–	**83,746**	17,309

3. Segment reporting (Continued)

Reconciliation of reportable segmental assets and liabilities

	2020 *HK$'000*	2019 *HK$'000* *(restated)*
Assets		
Reportable segment assets	381,187	448,798
Current tax recoverable	109	491
Consolidated total assets	381,296	449,289
Liabilities		
Reportable segment liabilities	83,746	17,309
Deferred tax liabilities	–	15,852
Provision for taxation	163	568
Consolidated total liabilities	83,909	33,729

4. Revenue

	2020 *HK$'000*	2019 *HK$'000*
Revenue from contracts within the scope of HKFRS 15		
Healthcare related services		
– Royalty fees	2,667	20,338
– Management fees	535	13,958
– Healthcare income	36,203	–
Hospitality related services	78	272
	39,483	34,568
Revenue from contracts not within the scope of HKFRS 15		
Money lending and related business activities		
– Interest income on third parties loans	16,857	32,919
– Loan handling fees	–	3,061
	16,857	35,980

	2020 *HK$'000*	2019 *HK$'000*
Discontinued operations		
Revenue from provision of hospitality related services	–	65,894

5. Other losses, net

	2020 *HK$'000*	2019 *HK$'000* *(restated)*
Continuing operations		
Impairment loss on interest in an associate	–	(2,208)
Impairment loss on goodwill	–	(80,101)
Net realised and unrealised foreign exchange gain/(loss)	7,194	(2,572)
Net realised and unrealised valuation gain/(loss) on financial assets at fair value through profit or loss	333	(4,194)
Net realised and unrealised gain on other financial liabilities	–	7,931
Impairment loss on trademarks	(62,721)	–
Impairment loss on intangible assets	(17,904)	–
Impairment on prepayments	(7,752)	–
Interest income	116	86
Property, plant and equipment written off	109	–
Miscellaneous income	124	96
	(80,501)	(80,962)

	2020 *HK$'000*	2019 *HK$'000*
Discontinued operations		
Loss on disposal of assets	–	(2,358)
Net realised and unrealised foreign exchange losses	–	(19)
Miscellaneous loss	–	(236)
	–	(2,613)

6. Administrative expenses

Continuing operations

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

Discontinued operations

Administrative expenses comprise expenses incurred by the Group's Hospitality Segment including salaries, rent and repair and maintenance expenses for office.

7. Finance costs

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Interest expenses on lease liabilities	2,537	189
Discontinued operations		
Interest expenses on borrowings	–	843

8. Income tax (credit)/expense

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Other jurisdictions	(31)	219
Deferred tax:		
Origination and reversal of temporary differences	(15,781)	–
	(15,812)	219
Discontinued operations		
Current tax:		
Other jurisdictions	–	–

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

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 31 December 2020, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK$122.7 million (2019: HK$104.1 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits.

8. Income tax (credit)/expense (Continued)

Tax losses amounting to HK$Nil (2019: HK$nil) have expiry dates between 1 to 5 years. Tax losses amounting to HK$72.0 million (2019: HK$72.3 million) 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 HK$50.7 million (2019: HK$31.8 million) do not expire under the tax legislations of the respective jurisdiction.

9. Discontinued operations

On 2 April 2019, SWAN Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments LLC, the joint operation partner of Sheraton Chapel Hill Hotel, (the “Joint Operation”, 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 (before net of transaction costs) which has been received in full. 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 Sale 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 Resource, LLC (“SHR”), an indirect subsidiary of the Company with consideration of approximately USD3,277,354 (the “Disposal of SHR”) which has been received in full. The Disposal of SHR was completed on 6 July 2019.

The Disposal of Assets and Disposal of SHR, together referred as the “hospitality discontinued operations” per Note 3, represents the “Discontinued Operations” in 2019.

The loss for the year/period from the Discontinued Operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to represent the hospitality segment as a Discontinued Operations:

	Year ended 31/12/2020 *HK$' 000*	**Period ended 2/8/2019** *HK$' 000*
Loss for the year/period	–	(7,418)
Gain on Disposal of SHR	–	30,862
Gain on joint operation written off	–	333
	–	23,777

9. Discontinued operations (Continued)

The results of Discontinued Operations for the period from 1 January 2019 to 6 July 2019 and 1 January 2019 to 2 August 2019, which have been included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, were as follows:

	Year ended 31/12/2020 *HK$' 000*	Period ended 6/7/2019 and 2/8/2019 *HK$' 000*
Revenue	–	65,894
Cost of sales	–	(12,541)
Gross profit	–	53,353
Other losses, net	–	(2,613)
Administrative expenses	–	(57,315)
Loss from operating activities	–	(6,575)
Finance costs	–	(843)
Loss before taxation	–	(7,418)
Income tax expense	–	–
Loss for the year/period	–	(7,418)

Loss for the year/period from discontinued operations includes the following:

	Year ended 31/12/2020 ***HK$' 000***	Period ended 6/7/2019 and 2/8/2019 *HK$' 000*
Depreciation of property, plant and equipment	–	2,373
Amortisation of intangible assets	–	2,408
Auditor's remuneration	–	–

9. **Discontinued operations (Continued)**

The carrying amounts of the assets and liabilities of Discontinued Operations at the date of disposal are as below:

The net assets of SHR at the date of disposal, i.e. 6 July 2019 were as follows:

	HK$'000
Consideration received:	
Cash received	**25,577**

Analysis of assets and liabilities over which control was lost:	**As at 6 July 2019** ***HK$'000***
Property, plant and equipment	**15,808**
Intangible assets	**15,216**
Goodwill	**7,294**
Trade and other receivables	**27,097**
Cash and cash equivalents	**625**
Trade and other payables	**(22,667)**
Deferred rent	**(1,984)**
Deferred consideration	**(1,633)**
Loans from non-controlling interests	**(44,085)**
Net liabilities disposed of	**(4,329)**

Gain on disposal of a subsidiary:	
Consideration received	**25,577**
Net liabilities disposed of	**4,329**
Non-controlling interests	**1,116**
Cumulative exchange differences in respect of net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	**(160)**
Gain on disposal	**30,862**

The details of the Disposal of Assets at the date of disposal, i.e. 2 August 2019, were as follows:

	HK$'000
Consideration received:	
Cash Consideration (net of transaction costs)	**65,216**
Carrying amount of assets sold as at 2 August 2019	**69,932**
Loss on disposal of assets	**(4,716)**
Group's share, 50%	**(2,358)**

10. Loss before taxation

Loss before taxation is arrived at after charging:

	2020 *HK$'000*	2019 *HK$'000*
Continuing operations		
Finance cost		
Interest expenses on lease liabilities	2,537	189
Staff costs		
Salaries, wages and other benefits	18,816	11,712
Directors emoluments	10,274	23,636
Retirement benefit scheme (excluding those of Directors)	54	50
	29,144	35,398
Other items		
Amortisation of intangible assets	15,240	15,347
Auditors' remuneration		
– audit services	1,953	1,395
– other services	1,290	–
Depreciation of property, plant and equipment	5,902	2,526
Lease payments not included in the measurement of lease liabilities	1,298	1,432
Discontinued operations		
Staff costs		
Salaries, wages and other benefits	–	36,301
Retirement benefit scheme (excluding those of Directors)	–	215
	–	36,516
Other items		
Amortisation of intangible assets	–	2,408
Auditors' remuneration		
– audit services	–	–
Depreciation of property, plant and equipment	–	2,373
Lease payments not included in the measurement of lease liabilities	–	3,273

11. Loss per share

For continuing operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to owners of the Company	**(65,101)**	(143,280)
Less:		
Profit for the year from discontinued operations	**–**	24,893
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**(65,101)**	(168,173)

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	**398,980**	398,980

The calculation of the basic and diluted loss per share from continuing operations attributable to ordinary shareholders of the Company is based on loss for the year attributable to owners of the Company amounted to HK$65,101,000 (2019 : HK$168,173,000 *(as restated)*).

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic earnings per share for discontinued operations is HK$nil (2019: loss per share of HK6.24 cents), based on the profit for the year from the discontinued operations of HK$nil (2019: HK$24,893,000).

Diluted earnings per share are not applicable as there are no dilutive potential ordinary shares for both 2020 and 2019.

12. Dividends

The Directors of the Company have resolved not to propose any final dividend for the year ended 31 December 2020 (2019: nil).

No interim dividend was paid for the year ended 31 December 2020 (2019: nil).

13. Goodwill

	HK$'000
Cost	
At 1 January 2019	96,729
Disposal (note 9)	(9,007)
Exchange adjustments	(502)
At 31 December 2019	87,220
Acquisition of subsidiaries	49,726
Exchange adjustments	3,842
At 31 December 2020	140,788
Impairment	
At 1 January 2019	1,713
Disposal (note 9)	(1,713)
Impairment loss	(51,819)
Prior year adjustment	(28,282)
At 31 December 2019 *(as restated)* and 31 December 2020	(80,101)
Carrying amount	
At 31 December 2020	60,687
At 31 December 2019 *(as restated)*	7,119

14. Trade and other receivables

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000* *(restated)*	1 January 2019 *HK$'000* *(restated)*
Trade receivables (note (a))	5,882	17,872	28,903
Interest receivables (note (a))	3,198	27,114	15,091
Less: Allowance for expected credit loss	(869)	(1,169)	(62)
	8,211	43,817	43,932
Due from an associate	119	–	1,254
Other receivables and deposits	3,323	22,090	19,074
Less: Allowance for expected credit loss	(78)	(6,551)	–
	11,575	59,356	64,260
Prepayments (note (b))	14,452	22,142	17,865
Trade and other receivables	26,027	81,498	82,125
Non-current	11,366	12,232	14,541
Current	14,661	69,266	67,584
	26,027	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:

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*
Less than 1 month	4,343	25,611
1 to 3 months	–	6,173
More than 3 months	3,868	12,033
	8,211	43,817

Included in trade receivables of HK$3,770,000 (2019: HK$3,872,000) represented an amount due from a business venture in which a non-controlling shareholder of a subsidiary of the Group is the sole owner.

(b) Prepayments

Prepayments mainly consist of professional fees of HK$10.6 million (2019: HK$12.4 million and 2018: HK$14.2 million *(as restated)*) paid in advance to business consultants who provide advisory services on the businesses of the Group.

During the year, 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 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.

15. Loan receivables

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*
Loans to third parties	204,821	254,482
Less: Allowance for expected credit loss	(70,789)	(68,468)
	134,032	186,014
Analysed as:		
Secured	65,837	38,455
Unsecured	68,195	147,559
	134,032	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.

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

One of the loans to third parties of approximately HK$101.2 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. The remaining amount after the settlement of Repayment 1 and Repayment 2 is classified as expected credit loss.

Another loan of approximately HK$Nil (2019: approximately HK$60.5 million) which is secured by personal guarantee from a shareholder of the borrower.

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

16. Trade and other payables

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*
Trade payables	171	–
Other payables and accrued charges	28,283	13,659
	28,454	13,659

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

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*
Due within 1 month or on demand	171	–
Due 1 to 3 months	–	–
Due 3 to 12 months	–	–
	171	–

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.

17. Deferred tax liabilities

The deferred tax liabilities of HK$nil (2019: HK$15,852,000) relate to deferred tax in respect of the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition of PRIP Communications Limited and its subsidiary.

18. Other financial liabilities

The other financial liabilities relate to put and call option in relation to the acquisition of the remaining shareholding of PRIP Communications Limited from the non-controlling shareholders. The other financial liabilities are measured at fair value.

19. Share capital

	Share capital *HK$'000*	**Share premium** *HK$'000*	**Total** *HK$'000*
The Company			
Balance at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	398,980	20,663	419,643

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

20. Acquisition of subsidiaries

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

Since the Acquisition, Shanghai Hospital Group contributed HK$36,203,000 to the Group's revenue and HK$13,310,000 to the consolidated loss for the year ended 31 December 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$80,275,000 and HK$114,160,000 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.

21. 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 of approximately HK$110.0 million for FY2020 as compared with a net loss of approximately HK$139.3 million (*as restated*) for the year ended 31 December 2019. The lower net loss was mainly attributable to the decrease in allowance for expected credit loss incurred on the Group's Money Lending and Related Business segment and the decrease in impairment loss on goodwill. The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$65.1 million for FY2020 as compared with a net loss attributable to the equity shareholders of the Company from continuing operations of approximately HK$168.1 million in the previous corresponding year.

Investment Holding segment

The Group's Investment Holding segment recorded net realised and unrealised foreign exchange gain of approximately HK$10.0 million and the net realised and unrealised valuation gain on financial assets at FVTPL of approximately HK$0.3 million. Overall, total net realised and unrealised gain of approximately HK$10.3 million was recorded for FY2020 as compared with the total net realised and unrealised loss of approximately HK$6.9 million in the previous corresponding year. Consequently, the Group's Investment Holding segment reported a loss before tax of approximately HK$27.0 million for FY2020 as compared with a loss before tax of approximately HK$47.7 million (*as restated*) in the previous corresponding year.

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$2.7 million for FY2020 as compared with royalty income of approximately HK$20.3 million in the previous corresponding year, and PRIP and DIAM contributed service income of approximately HK$0.5 million for FY2020 as compared with service income of approximately HK$14.0 million in the previous corresponding year.

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"). Shanghai Hospital is principally engaged in the plastic surgery operation in Shanghai City of the People's Republic of China (the "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 31 December 2020, Shanghai Hospital recorded revenue of approximately of HK$36.2 million and net loss of approximately HK$13.3 million.

Money Lending and Related Business segment

Regarding the Group's Money Lending and Related Business segment, the Company recognised interest income from third parties loans of HK$16.9 million for FY2020, as compared with handling income of HK$3.1 million and interest income from third parties loans of HK$32.9 million in the previous corresponding year.

Others

Basic loss per share for FY2020 was HK16.31 cents, calculated on the weighted average number of ordinary shares of the Company in issue during the year of 398,979,524. The Group's net tangible assets per share up to HK$0.47 as at 31 December 2020, decreased from HK$0.52 (*as restated*) at 31 December 2019. The board did not propose a final dividend for FY2020.

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 Group will continue to further develop and expand its existing core business, including but not limited to the plastic surgery and medical beauty services and assisted reproductive IVF services hospitals in China and other Asia Markets. The Group has been continuously exploring the healthcare and plastic surgery sector in the PRC.

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

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

Money lending and related business

In 2020, the Group will continue its money lending and related business, which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Group will continue to develop the money lending and related business by leveraging and making good use of the resource and network of the 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 adverse impact of the trade friction between the People's Republic of China and the United States and the novel coronavirus (COVID-19) pandemic on the macroeconomy and the business activity globally, 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 annual results of the Group for FY2020 contained herein have been reviewed by the audit committee of the Company.

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 FY2020.

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 the Company's code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code throughout FY2020.

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 FY2020.

FINAL DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2020 (2019: nil).

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 comprised 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 purposes only*