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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)

**2022 INTERIM RESULTS – ANNOUNCEMENT
UNAUDITED CONSOLIDATED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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 and associates (the “Group”) for the six months ended 30 June 2022 (the “Period”) together with comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022

	Notes	Six months ended	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue		24,984	48,439
Cost of sales		<u>(8,335)</u>	<u>(11,026)</u>
Gross profit		16,649	37,413
(Allowance for)/reversal of expected credit loss		(692)	915
Other (losses)/gains, net	3	(6,570)	166
Administrative expenses	4	<u>(29,400)</u>	<u>(43,158)</u>
Loss from operating activities		(20,013)	(4,664)
Share of (losses)/profit of associates		(68)	336
Finance costs	5	<u>(2,119)</u>	<u>(2,083)</u>
Loss before taxation		(22,200)	(6,411)
Income tax expense	6	<u>—</u>	<u>—</u>
Loss for the period		<u>(22,200)</u>	<u>(6,411)</u>
Loss for the period attributable to:			
Equity shareholders of the Company		(18,538)	(6,137)
Non-controlling interests		<u>(3,662)</u>	<u>(274)</u>
Loss for the period		<u>(22,200)</u>	<u>(6,411)</u>
Loss per share		HK cents	HK cents
Basic loss per share	8	<u>(4.64)</u>	<u>(1.53)</u>
Diluted loss per share	8	<u>(4.64)</u>	<u>(1.53)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022

	Six months ended	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(22,200)	(6,411)
Other comprehensive income for the period (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	1,113	3,074
Exchange differences on monetary items forming net investment in a foreign operation	368	13
Total other comprehensive income for the period	1,481	3,087
Total comprehensive loss for the period	(20,719)	(3,324)
Attributable to:		
Equity shareholders of the Company	(18,340)	(3,034)
Non-controlling interests	(2,379)	(290)
Total comprehensive loss for the period	(20,719)	(3,324)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*as at 30 June 2022*

		As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		50,479	60,914
Intangible assets		16,274	17,835
Goodwill		60,971	62,834
Interests in associates		7,126	7,511
Trade and other receivables	<i>10</i>	7,894	8,529
		142,744	157,623
Current assets			
Trade and other receivables	<i>10</i>	28,690	26,145
Inventory		2,266	2,494
Financial assets at fair value through profit or loss		9,194	12,188
Loan receivables	<i>11</i>	111,653	112,234
Current tax recoverable		16	16
Cash and cash equivalents		51,190	65,699
		203,009	218,776
Current liabilities			
Trade and other payables	<i>12</i>	(32,020)	(32,302)
Lease liabilities		(2,375)	(3,892)
Provision for taxation		(163)	(163)
		(34,558)	(36,357)
Net current assets		168,451	182,419
Total assets less current liabilities		311,195	340,042

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current liabilities		
Obligations in excess of earnings from equity-method accounted joint venture	(229)	(227)
Lease liabilities	(47,634)	(55,764)
	<u>(47,863)</u>	<u>(55,991)</u>
NET ASSETS	<u>263,332</u>	<u>284,051</u>
CAPITAL AND RESERVES		
Share capital	398,980	398,980
Share premium	20,663	20,663
Reserves	(181,736)	(163,396)
	<u>237,907</u>	<u>256,247</u>
Equity attributable to equity shareholders of the Company	237,907	256,247
Non-controlling interests	<u>25,425</u>	<u>27,804</u>
TOTAL EQUITY	<u>263,332</u>	<u>284,051</u>

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 2022 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 the Company’s Audit Committee.

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 2021. 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 2021 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 2022 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 2021, except for the accounting policy changes that are expected to be reflected in the 2022 annual consolidated financial statements. Details of any changes in accounting policies are set out below.

Adoption of new or revised HKFRSs effective for annual periods beginning on or after 1 January 2022

Amendments to HKAS 16
Amendments to HKAS 37

Property, Plant and Equipment – Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract

The adoption of the above standards did not have any significant effects on the unaudited condensed consolidated interim financial statements of the Group.

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

2. Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following four reportable segments based on the information that is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment:

	Investment Holding		Healthcare		Money Lending and Related Business		Hospitality		Total	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<i>For the six months ended 30 June:</i>										
Disaggregated by timing of revenue recognition										
Point of time	-	-	12,930	36,815	-	-	-	-	12,930	36,815
Over time	-	-	5,855	3,197	-	-	-	-	5,855	3,197
Revenue from external customers	-	-	18,785	40,012	-	-	-	-	18,785	40,012
Interest income	10	-	-	-	6,199	8,427	-	-	6,209	8,427
Reportable segment revenue	10	-	18,785	40,012	6,199	8,427	-	-	24,994	48,439
Reportable segment (loss)/profit	(19,100)	(12,193)	(7,704)	(2,923)	5,507	9,342	(903)	(637)	(22,200)	(6,411)
Depreciation and amortisation	(270)	(1,171)	(4,570)	(4,298)	-	-	-	-	(4,840)	(5,469)
Net realised and unrealised valuation loss on trading securities	(3,011)	(819)	-	-	-	-	-	-	(3,011)	(819)
Net realised and unrealised foreign exchange (loss)/gain	(4,892)	1,575	1,364	(1,031)	-	-	31	(8)	(3,497)	536
Impairment loss on trademarks	-	-	-	-	-	-	-	-	-	-
As at 30 June/31 December:										
Reportable segment assets	85,813	115,999	142,500	105,554	116,718	153,192	706	1,638	345,737	376,383
Reportable segment liabilities	60,514	14,874	20,268	75,728	-	100	1,476	1,483	82,258	92,185

3. Other (losses)/gains, net

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Net realised and unrealised foreign exchange (loss)/gain	(3,497)	536
Net realised and unrealised valuation loss on trading securities	(3,011)	(819)
Loss from sale of property, plant and equipment	–	(65)
Interest income	10	21
Miscellaneous (loss)/income	(72)	493
	<u>(6,570)</u>	<u>166</u>

4. 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.

5. Finance costs

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest expenses on lease payment	<u>2,119</u>	<u>2,083</u>
	<u>2,119</u>	<u>2,083</u>

6. Income tax expense

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Current tax		
Provision for the period	<u>–</u>	<u>–</u>
Income tax expense	<u>–</u>	<u>–</u>

7. Loss for the period

Loss for the period is arrived at after charging:

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	321	682
Depreciation of right-of-use assets	2,847	3,212
Amortisation of intangible assets	1,672	1,575
Staff cost (including director's emoluments)	<u>13,686</u>	<u>22,099</u>

8. 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 approximately HK\$18,538,000 (six months ended 30 June 2021: HK\$6,137,000) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2021: 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 2022 and 30 June 2021.

9. 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 2022 (six months ended 30 June 2021: nil).

b) There were no dividends attributable to the previous financial years, approved and paid during the six months ended 30 June 2022 and 2021.

10. Trade and other receivables

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables (<i>note (a)</i>)	17,267	17,615
Interest receivables (<i>note (a)</i>)	5,302	6,070
Less: Allowance for expected credit loss	(237)	(6,022)
	<u>22,332</u>	<u>17,663</u>
Other receivables and deposits	2,643	1,762
	<u>24,975</u>	<u>19,425</u>
Prepayments (<i>note (b)</i>)	11,609	15,249
	<u>36,584</u>	<u>34,674</u>
Trade and other receivables	<u><u>36,584</u></u>	<u><u>34,674</u></u>
Non-current	7,894	8,529
Current	28,690	26,145
	<u><u>36,584</u></u>	<u><u>34,674</u></u>

10. Trade and other receivables (Continued)

(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 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Less than 1 month	7,071	17,609
1 to 3 months	505	–
More than 3 months	14,756	54
	<u>22,332</u>	<u>17,663</u>

(b) Prepayments

Prepayments mainly consist of professional fees of HK\$8,064,000 (31 December 2021: HK\$8,906,000) paid in advance to business consultants who provide advisory services on the businesses of the Group.

11. Loan receivables

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Loan to third parties	178,030	177,953
<i>Less:</i> Allowance for expected credit loss	<u>(66,377)</u>	<u>(65,719)</u>
	<u>111,653</u>	<u>112,234</u>
Analysed as:		
Secured	42,835	43,429
Unsecured	<u>68,818</u>	<u>68,805</u>
	<u>111,653</u>	<u>112,234</u>

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

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

11. Loan receivables (Continued)

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\$102,004,000 (2021: approximately HK\$101,200,000) which is secured by a pledge of properties owned by two individuals who have also extended personal guarantees in favour of the borrower. On 12 February 2020, the aforesaid outstanding amount has fallen due. However, the borrower informed the Company that it was unable to repay the said principal amount and the accrued interest at the repayment date, which constituted a default in repayment of the principal amount and accrued interest. On 5 March 2020, the borrower, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK\$17,800,000) to a wholly-owned subsidiary of the Company incorporated in the PRC as partial repayment ("Repayment 1"). On 6 March 2020, one of the personal guarantors ("1st Guarantor") paid a sum of HK\$33,000,000 to the Company as partial repayment ("Repayment 2"). Taking into account that 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. In order to recover the outstanding amount of the loan, the legal advisers in Hong Kong, on behalf of the Company, have initiated bankruptcy proceedings against the 1st Guarantor. On 2 July 2021, a creditor's bankruptcy petition (the "Petition") against the 1st Guarantor on failure to comply with the statutory demand for a liquidated sum payable immediately was presented to the High Court. Subsequently, the Company has successfully served the Petition on the solicitors acting for the 1st Guarantor in the bankruptcy proceedings. The Petition was initially adjourned to be heard on 14 March 2022, but due to the general adjournment of proceedings of the High Court, the Petition was further adjourned to 19 April 2022. A bankruptcy order against the 1st Guarantor was then issued on 19 April 2022.

The loans bear interest at rates ranging from 11% to 18.5% (31 December 2021: 11% to 18.5%) per annum, and are repayable within one year.

12. Trade and other payables

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables (<i>note (a)</i>)	298	312
Other payables and accrued charges	<u>31,722</u>	<u>31,990</u>
	<u><u>32,020</u></u>	<u><u>32,302</u></u>

12. Trade and other payables (Continued)

(a) Ageing analysis

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

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Due within 1 month or on demand	298	312
Due 1 to 3 months	–	–
Due 3 to 12 months	–	–
	<hr/> 298 <hr/>	<hr/> 312 <hr/>

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK\$18.5 million for the Period as compared with a net loss attributable to the equity shareholders of the Company of approximately HK\$6.1 million in the previous corresponding period. The increase in loss was mainly because there were increase in net loss of healthcare segment by approximately HK\$4.8 million due to temporary closure of Shanghai Hospital in April to May 2022 as a result the lockdown of Shanghai City. Also, the increase in exchange loss of approximately HK\$4.0 million and increase in net realised and unrealised valuation loss on trading securities of approximately HK\$2.2 million further increased the loss compared with previous 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\$5.9 million for the Period which is increased by HK\$2.7 million as compared to the previous corresponding period, and DIAM contributed no service income for the Period.

The indirect wholly-owned subsidiary of the Company, Bright Zone Holdings Limited, which indirectly owns Shanghai Yuyue Meilianchen Healthcare Beauty Hospital Limited* (上海愉悅美聯臣醫療美容醫院有限公司) (the "Shanghai Hospital"), is principally engaged in the plastic surgery operation in Shanghai City of the People's Republic of China ("PRC"). Shanghai Hospital is a specialized plastic surgery hospital which operates class 1 to class 3 plastic surgery operations and facial bone contouring technique plastic surgery operations in the PRC, and provides high quality services to the public customers. Shanghai Hospital has obtained the medical institution practicing license in the PRC to carry out its plastic surgery services in the PRC. Shanghai Hospital has been providing plastic surgery services, including but not limited to, Chinese medical aesthetic services, aesthetic dentistry, facial contouring surgery, etc. Shanghai hospital recorded revenue of approximately HK\$12.9 million and net loss of approximately HK\$9.7 million for the Period as compared with revenue of approximately HK\$36.8 million and net loss of approximately HK\$2.0 million for the previous corresponding period.

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\$6.2 million for the Period, as compared with interest income from third parties loans of HK\$8.4 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\$3.0 million as compared with a net realised and unrealised valuation loss on trading securities of approximately HK\$0.8 million in the previous corresponding period. Consequently, the Group's investment holding segment reported a loss before tax of approximately HK\$19.1 million for the Period as compared with a loss before tax of approximately HK\$12.2 million in the previous corresponding period.

PROSPECTS

Healthcare business

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

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

Money lending and related business

In 2022, 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.

OTHER INFORMATION

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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.

By order of the Board
China Tian Yuan Healthcare Group Limited
Dong Wei
Executive director

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises seven Directors of which Mr. Wang Huabing (chairman) and Ms. Dong Wei are the executive Directors; Ms. He Mei and Mr. Zhou Yuan are the non-executive Directors and Mr. Yuen Kwok Kuen, Mr. Li Jun and Ms. Zhou Siqi are the independent non-executive Directors.

* *for identification purpose only*