



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 financial report
for the six months ended 30 June 2022**

CONTENTS

| | |
|--|----|
| Consolidated statement of profit or loss | 2 |
| Consolidated statement of profit or loss and other comprehensive income | 3 |
| Consolidated statement of financial position | 4 |
| Condensed consolidated statement of changes in equity | 6 |
| Condensed consolidated cash flow statement. | 8 |
| Notes to the condensed consolidated interim financial statements | 10 |
| Management discussion and analysis | 26 |
| Prospects | 27 |
| Audit committee | 28 |
| Interim dividend | 28 |
| Corporate governance code | 28 |
| Disclosure under Rule 13.20 of the Listing Rules | 29 |
| Compliance with the model code for securities transactions by Directors | 30 |
| Purchase, sale or redemption of the Company's listed securities. | 30 |
| Material acquisitions and disposals of subsidiaries, associates and joint ventures | 30 |
| Share option scheme | 31 |
| Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company | 31 |
| Substantial shareholders' interests in shares and underlying shares. | 32 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|--------------------|
| | | 2022 | 2021 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenue | 4 | 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 | 5 | (6,570) | 166 |
| Administrative expenses | 6 | <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 | 7 | <u>(2,119)</u> | <u>(2,083)</u> |
| Loss before taxation | | (22,200) | (6,411) |
| Income tax expense | 8 | <u>–</u> | <u>–</u> |
| Loss for the period | 9 | <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> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Loss per share | | | |
| Basic loss per share | 10 | <u>(4.64)</u> | <u>(1.53)</u> |
| Diluted loss per share | 10 | <u>(4.64)</u> | <u>(1.53)</u> |

The notes on pages 10 to 25 form part of this interim financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| 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 | <u>1,481</u> | <u>3,087</u> |
| Total comprehensive loss for the period | <u>(20,719)</u> | <u>(3,324)</u> |
| Attributable to: | | |
| Equity shareholders of the Company | (18,340) | (3,034) |
| Non-controlling interests | <u>(2,379)</u> | <u>(290)</u> |
| Total comprehensive loss for the period | <u>(20,719)</u> | <u>(3,324)</u> |

The notes on pages 10 to 25 form part of this interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

| | | As at 30 June 2022 | As at 31 December 2021 |
|--|--------------|-----------------------------------|---------------------------------------|
| | <i>Notes</i> | <i>HK\$'000 (Unaudited)</i> | <i>HK\$'000 (Audited)</i> |
| 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 | 12 | 7,894 | 8,529 |
| | | 142,744 | 157,623 |
| Current assets | | | |
| Trade and other receivables | 12 | 28,690 | 26,145 |
| Inventory | | 2,266 | 2,494 |
| Financial assets at fair value through profit or loss | | 9,194 | 12,188 |
| Loan receivables | 13 | 111,653 | 112,234 |
| Current tax recoverable | | 16 | 16 |
| Cash and cash equivalents | 14 | 51,190 | 65,699 |
| | | 203,009 | 218,776 |
| Current liabilities | | | |
| Trade and other payables | 15 | (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 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2022

| | As at 30 June 2022 | As at 31 December 2021 |
|--|-----------------------------------|---------------------------------------|
| <i>Notes</i> | <i>HK\$'000 (Unaudited)</i> | <i>HK\$'000 (Audited)</i> |
| 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 | <u>237,907</u> | <u>256,247</u> |
| Non-controlling interests | <u>25,425</u> | <u>27,804</u> |
| TOTAL EQUITY | <u>263,332</u> | <u>284,051</u> |

The notes on pages 10 to 25 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 – unaudited

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2022 – unaudited

| | Attributable to equity shareholders of the Company | | | | | | | Total Equity HK\$'000 |
|--|--|------------------------------|--|---------------------------------|--|-------------------|--|-----------------------------|
| | Share Capital HK\$'000 | Share Premium HK\$'000 | Capital Redemption Reserve HK\$'000 | Exchange Reserve HK\$'000 | Retained earnings/ (accumulated losses) HK\$'000 | Total HK\$'000 | Non- Controlling Interests HK\$'000 | |
| Balance at 1 January 2022 (audited) | 398,980 | 20,663 | 676 | 6,403 | (170,475) | 256,247 | 27,804 | 284,051 |
| Changes in equity for the six months ended 30 June 2022: | | | | | | | | |
| Loss for the period | - | - | - | - | (18,538) | (18,538) | (3,662) | (22,200) |
| Other comprehensive income | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations | - | - | - | (170) | - | (170) | 1,283 | 1,113 |
| Exchange differences on monetary items forming net investment in a foreign operation | - | - | - | 368 | - | 368 | - | 368 |
| Total comprehensive income for the period | - | - | - | 198 | (18,538) | (18,340) | (2,379) | (20,719) |
| Balance at 30 June 2022 (unaudited) | <u>398,980</u> | <u>20,663</u> | <u>676</u> | <u>6,601</u> | <u>(189,013)</u> | <u>237,907</u> | <u>25,425</u> | <u>263,332</u> |

The notes on pages 10 to 25 form part of this interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 – unaudited

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Operating activities | | |
| Cash generated from operations | (18,515) | 19,891 |
| Interest received | 6,883 | 6,549 |
| Tax refunded | – | 93 |
| | <hr/> | <hr/> |
| Net cash (used in) generated from operating activities | (11,632) | 26,533 |
| | <hr/> | <hr/> |
| Investing activities | | |
| Payment for purchase of property, plant and equipment | (758) | (1,408) |
| Acquisition of trading securities | – | (40) |
| Disposal of trading securities | – | 40 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (758) | (1,408) |
| | <hr/> | <hr/> |
| Financing activities | | |
| Payment for lease liabilities | (2,119) | (2,083) |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (2,119) | (2,083) |
| | <hr/> | <hr/> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the six months ended 30 June 2022 – unaudited

| | Six months ended 30 June | |
|---|---------------------------------------|---------------------------------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> <i>(Unaudited)</i> | <i>HK\$'000</i> <i>(Unaudited)</i> |
| Net (decrease) increase in cash and cash equivalents | (14,509) | 23,042 |
| Cash and cash equivalents at 1 January | 65,699 | 58,178 |
| Effect of foreign exchange rates changes | – | – |
| Cash and cash equivalents at 30 June (Note) | <u>51,190</u> | <u>81,220</u> |

Note:

Cash and cash equivalents at 30 June 2022 and 30 June 2021 comprise:

| | As at | As at |
|--|---------------------------------------|---------------------------------------|
| | 30 June | 30 June |
| | 2022 | 2021 |
| | <i>HK\$'000</i> <i>(Unaudited)</i> | <i>HK\$'000</i> <i>(Unaudited)</i> |
| Cash at bank and in hand | <u>51,190</u> | <u>81,220</u> |
| Cash and cash equivalents per condensed consolidated cash flow statement | <u>51,190</u> | <u>81,220</u> |

The notes on pages 10 to 25 form part of this interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 30 August 2022.

The condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed consolidated interim financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes included an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

2. CHANGES IN ACCOUNTING POLICIES

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

| | |
|-----------------------|--|
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | 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.

3. REVENUE AND SEGMENT REPORTING

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

- Investment holding: This segment relates to investments in listed equity investments, unlisted marketable equity mutual funds held as financial assets at fair value through profit or loss. Currently, the Group's equity investment portfolio includes equity securities listed on The Philippines Stock Exchange, Inc., The Stock Exchange of Hong Kong and The New York Stock Exchange and unlisted investment in Hong Kong.
- Healthcare: This segment primarily derives the revenue from the provision of procurement, marketing and management services to the medical industry, royalty fees from the licensing of trademarks and revenue 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 Hong Kong, Korea and the PRC.

- Money lending and related business: This segment primarily derives the revenue from the interests earned from the provision of loans to third parties, as well as referral and handling fees receivable for the provision of loan related services and the introduction of prospective lenders and borrowers. Currently, the Group's activities in this segment are carried out in PRC and Hong Kong.
- Hospitality: This segment primarily derives the revenue from provision of procurement services relating to hospitality industry.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, goodwill and current assets with the exception of current tax recoverable. Segments liabilities include trade and other payables and dividends received in excess of earnings from equity– method accounted joint venture, with the exception of current and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expense arising from the activities of the Group's joint operation and associates.

The measure used for reporting segment profit is “profit from operations”. In addition to receiving segment information concerning profit from operations, management is provided with segment information concerning revenue, interest income, depreciation and amortisation, foreign exchange gain/loss, valuation gain/loss on trading securities, changes in fair value of other financial assets/liabilities and deferred consideration and additions to non-current segment assets used by the segments in their operations.

(b) Information about profit or loss, assets and liabilities

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

| | Investment Holding | | Healthcare | | Money Lending and Related Business | | Hospitality | | Total | |
|--|--------------------|--------------------|--------------------|--------------------|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| For the six months ended 30 June: | | | | | | | | | | |
| 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 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Revenue from external customers | - | - | 18,785 | 40,012 | - | - | - | - | 18,785 | 40,012 |
| Interest income | 10 | - | - | - | 6,199 | 8,427 | - | - | 6,209 | 8,427 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Reportable segment revenue | 10 | - | 18,785 | 40,012 | 6,199 | 8,427 | - | - | 24,994 | 48,439 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Reportable segment (loss)/profit | (19,100) | (12,193) | (7,704) | (2,923) | 5,507 | 9,342 | (903) | (637) | (22,200) | (6,411) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 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 |
| 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 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Reportable segment liabilities | 60,514 | 14,874 | 20,268 | 75,728 | - | 100 | 1,476 | 1,483 | 82,258 | 92,185 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

(c) **Reconciliations of reportable segment assets and liabilities**

| | As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i> | As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i> |
|--------------------------------|--|--|
| Assets | | |
| Reportable segment assets | 345,737 | 376,383 |
| Current tax recoverable | 16 | 16 |
| | <hr/> | <hr/> |
| Consolidated total assets | <u>345,753</u> | <u>376,399</u> |
| Liabilities | | |
| Reportable segment liabilities | 82,258 | 92,185 |
| Provision for taxation | 163 | 163 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | <u>82,421</u> | <u>92,348</u> |

4. REVENUE

Revenue of the Group comprises revenue from the provision of healthcare related services and money lending and related business activities. Disaggregation of revenue recognised during the year by category is as follows:

| | Six months ended 30 June | |
|--|--|--|
| | 2022 <i>HK\$'000</i> <i>(Unaudited)</i> | 2021 <i>HK\$'000</i> <i>(Unaudited)</i> |
| Revenue from contracts within the scope of HKFRS 15 | | |
| Healthcare related services | | |
| – Royalty fees | 5,855 | 3,197 |
| – Healthcare income | 12,930 | 36,815 |
| | <hr/> | <hr/> |
| | 18,785 | 40,012 |
| | <hr/> | <hr/> |

Six months ended 30 June

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenue from contracts not within the scope of HKFRS 15 | | |
| Money lending and related business activities | | |
| – Interest income on third party loans | 6,199 | 8,427 |
| Investment holding activities | | |
| – Other interest income | 10 | – |
| | <u>6,209</u> | <u>8,427</u> |
| Timing of revenue recognition within the scope of HKFRS 15 | | |
| A point in time | | |
| – Healthcare related services | 12,930 | 36,815 |
| Over time | | |
| – Healthcare related services | 5,855 | 3,197 |
| | <u>18,785</u> | <u>40,012</u> |

Healthcare related services – management fees

The Group provides marketing and referral services to a plastic surgery clinic (the “clinic”) in Korea. The performance obligation is satisfied when the customers accepted to receive plastic surgery services from the clinic.

Healthcare related services – royalty fees

Royalty fees represent the royalties received for the use of a trademark and recognised over a period agreed under contracts. The royalty fees are recognised over the contract terms.

Revenue that is expected to be recognised in the future arising from contracts in existence at the reporting date is insignificant.

5. OTHER (LOSSES)/GAINS, NET

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (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 income | (72) | 493 |
| | <u>(6,570)</u> | <u>166</u> |

6. ADMINISTRATIVE EXPENSES

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

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--------------------------|--------------------------|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| Provision for the period | — | — |
| Income tax expense | — | — |

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period, except for subsidiary which is a qualifying corporation under the two-tiered Profits Tax rate regime. The first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

No Hong Kong profits tax has been provided for in the financial statements as the Group has no assessable profits derived in Hong Kong for the period (2021: Nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

As at 30 June 2022, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK\$172,900,000 (31 December 2021: HK\$172,900,000) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. Tax losses amounting to approximately HK\$28,100,000 have expiry dates between 1 to 5 years. Tax losses amounting to approximately HK\$72,000,000 have expiry dates of more than 5 years, the earliest expiry date is on 31 December 2030 and the latest expiry date is on 31 December 2037. The remaining tax losses amounting to approximately HK\$72,800,000 do not expire under the tax legislations of the respective jurisdiction.

9. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (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) | 13,686 | 22,099 |
| | <u>18,526</u> | <u>27,568</u> |

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 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.

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 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.

12. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i> | As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i> |
|--|--|--|
| Trade receivables (note (a)) | 17,267 | 17,615 |
| Interest receivables (note (a)) | 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 (note (b)) | 11,609 | 15,249 |
| | <u>36,584</u> | <u>34,674</u> |
| Trade and other receivables | <u>36,584</u> | <u>34,674</u> |
| Non-current | 7,894 | 8,529 |
| Current | <u>28,690</u> | <u>26,145</u> |
| | <u>36,584</u> | <u>34,674</u> |

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

13. LOAN RECEIVABLES

| | As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i> | As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i> |
|--|--|--|
| Loan to third parties | 178,030 | 177,953 |
| Less: 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.

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\$101,200,000 (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 guarantor (“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 view of recovering 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 has been further adjourned to 19 April 2022, heard at the High Court. 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.

14. CASH AND CASH EQUIVALENTS

| | As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i> | As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i> |
|--|--|--|
| Cash at bank and in hand | 51,190 | 65,699 |
| Cash and cash equivalents available for use by the Group | <u>51,190</u> | <u>65,699</u> |

15. TRADE AND OTHER PAYABLES

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

(a) Ageing analysis

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

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

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group has financial risk management policies in place to ensure all payables are settled within the time frame agreed with the respective suppliers.

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

The following table presents the carrying value of Group's financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of inputs used in the valuation techniques as follows:

- Level 1 valuations: fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

| | Fair value at 30 June 2022 (Unaudited) <i>HK\$'000</i> | Fair value measurements as at 30 June 2022 categorised into | | | Fair value at 31 December 2021 (Audited) <i>HK\$'000</i> | Fair value measurements as at 31 December 2021 categorised into | | |
|--|---|--|----------------------------|----------------------------|---|---|----------------------------|----------------------------|
| | | Level 1 <i>HK\$'000</i> | Level 2 <i>HK\$'000</i> | Level 3 <i>HK\$'000</i> | | Level 1 <i>HK\$'000</i> | Level 2 <i>HK\$'000</i> | Level 3 <i>HK\$'000</i> |
| Recurring fair value measurements | | | | | | | | |
| Assets: | | | | | | | | |
| Financial assets at FVTPL | | | | | | | | |
| - Listed equity securities | 8,942 | 8,942 | - | - | 8,282 | 8,282 | - | - |
| - Unquoted investment | 252 | - | - | 252 | 3,906 | - | - | 3,906 |
| | <u>9,194</u> | <u>8,942</u> | <u>-</u> | <u>252</u> | <u>12,188</u> | <u>8,282</u> | <u>-</u> | <u>3,906</u> |

During the six months ended 30 June 2022 and the year ended 31 December 2021, there were no transfers between levels.

The movements in the financial instruments measured at fair value are as follows:

| | Financial assets at fair value through profit or loss <i>HK\$'000</i> |
|--|---|
| At 1 January 2021 (audited) | 12,546 |
| Acquisition of trading securities | 40 |
| Disposal of trading securities | (40) |
| Net unrealised loss recognised in profit or loss | (819) |
| Translation differences | 304 |
| | <hr/> |
| At 30 June 2021 (unaudited) | 12,031 |
| | <hr/> <hr/> |
| At 1 January 2022 (audited) | 12,188 |
| Net unrealised loss recognised in profit or loss | (3,011) |
| Translation differences | 17 |
| | <hr/> |
| At 30 June 2022 (unaudited) | 9,194 |
| | <hr/> <hr/> |

The net unrealised valuation gain or loss of the unrealised equity securities for the period recognised in profit or loss is presented in “other net losses” in the consolidated statement of profit or loss.

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. For fair value measurement in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

| Type | Valuation method | Significant unobservable inputs | Inter-relationship between unobservable inputs and fair value measurement |
|--|------------------|---------------------------------|---|
| Trading securities – unlisted investment | Net assets value | Net asset value of the fund | The fair value increases as the net asset value of the fund increases |

(b) Financial instruments not measured at fair value but for which the fair value is disclosed:

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2022 and 31 December 2021.

17. MATERIAL RELATED PARTY TRANSACTIONS

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

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Fellow Subsidiary | | |
| Income received from trademark licensing | – | 3,197 |
| | <hr/> | <hr/> |

18. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

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 of an 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 of 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 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\$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 serves as 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 namely Mr. Yuen Kwok Kuen, Mr. Li Jun and Ms. Zhou Siqi. The Audit Committee has reviewed the unaudited interim results and the interim financial information for the Period with no disagreement.

INTERIM DIVIDEND

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.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Group had granted facilities to independent third parties and remained outstanding as at 30 June 2022, which is required to be included in this interim report in accordance with Rule 13.20 of the Listing Rules. The summarized information on the facilities is set out as below:

Facility agreement A

| | |
|----------------------------|--|
| Date of facility agreement | 12 November 2018 (as supplemented by the supplemental deed dated 12 November 2019) |
| Borrower | Lead Dragon Limited |
| Guarantor(s) | Mr. Li Ming & Mr. Zhang Shihong |
| Principal | US\$13,000,000 |
| Interest rate | (a) 12% per annum, starting from and including 12 November 2018 up to and including 11 November 2019; and (b) 18.5% per annum starting from and including 12 November 2019 up to and including 12 February 2020. |
| Term | 15 months from date of facility agreement (i.e. 12 February 2020) |
| Default Interest | 20% per annum |
| Guarantee | Personal guarantee provided by Mr. Li Ming and Mr. Zhang Shihong the guarantors in favor of the Company to secure the obligations of the Borrower (as regards Mr. Zhang Shihong's obligations, subject to certain limitations as disclosed in the announcement of the Company dated 4 April 2018) |
| Security | The second legal charge over a residential property in Hong Kong charged by Mr. Li Ming in favour of the Company, subject to the existing first mortgage over the said residential property; and the second legal charge over a residential property in Hong Kong charged by Mr. Zhang Shihong in favour of the Company, subject to the existing first mortgage over the said residential property and subject however to certain limitations (Note 1) |

Note 1:

On 17 January 2020, Mr. Li Ming, as chargor, and Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天元醫療管理有限公司) (the “**PRC Subsidiary**”), a wholly-owned subsidiary of the Company, as chargee, entered into an agreement of legal charge (the “**PRC Legal Charge**”), pursuant to which Mr. Li Ming charged five properties located in Beijing, the PRC, owned by him in favour of the PRC Subsidiary as security for the due payment of all obligations and liabilities due, owing or incurred by the Borrower to the Company under the Amended Facility Agreement A. On 5 March 2020, Lead Dragon Limited, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK\$17,800,000) to the PRC Subsidiary, as partial repayment of the facility under the Amended Facility Agreement A. On 6 March 2020, Mr. Li Ming paid a sum of HK\$33,000,000 to the Company as partial repayment of the facility under the Amended Facility Agreement A (the “**Partial Repayment**”). Since the sum of Partial Repayment is not lower than the estimated market value of Mr. Li Ming’s residential property in Hong Kong (the “**Property**”) as secured under the second legal charge as at 4 March 2020 (after deduction of approximately HK\$11,076,000 of the liability secured under the existing first mortgage on the Property as at 6 December 2019), the Company entered into a deed of partial release to release the second legal charge over the Property charged by Mr. Li Ming in favour of the Company (the “**Partial Release**”). Further details in relation to the PRC Legal Charge, the Partial Repayment and the Partial Release are set out in the announcements of the Company dated 17 February 2020, 21 February 2020 and 16 March 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “Model Code”) as its code of conduct regarding Directors’ securities transactions. All Directors confirmed that they have complied with the Model Code throughout the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Borrowings and Gearing

The Group did not have any bank borrowings as at 30 June 2022, the Group was in a net cash position amounting to HK\$51.2 million as at 30 June 2022. Hence, the Group's gearing is zero, which is expressed as a percentage of current and non-current loans and borrowings less cash and cash equivalents over total equity attributable to equity shareholders of the Company.

Pledge of Assets

As at 30 June 2022, the Group did not pledge any of its assets.

Foreign Exchange Risk

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

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

Employees and Remuneration Policies

As at 30 June 2022, the Group had a total of 112 employees, including directors. The total Group's staff costs comprising salaries, wages and other benefits was HK\$13.7 million for the six months ended 30 June 2022. The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality services.

SHARE OPTION SCHEME

The Company does not have any share option scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2022, none of the Directors and the chief executives of the Company or their associates were interested or had any short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far is known to any Directors or the chief executives of the Company, the following persons (excluding the Directors and the chief executives of the Company) were interested in 5% or more of the issued share capital of the Company or had short position in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

| Name of Shareholder | Capacity/Nature of Interest | Number of Shares Held | Approximate Percentage holding of issued share capital of the Company as at 30 June 2022 |
|---|---|-----------------------|--|
| Dong Jufeng (<i>Note</i>) | Interest of spouse/ Family interest | 266,069,294 | 66.69% |
| Jia Tianjiang (<i>Note</i>) | Interest of controlled corporation/ Corporate interest | 266,069,294 | 66.69% |
| Tian Yuan Manganese Limited (<i>Note</i>) | Beneficial owner/ Beneficial interest | 249,539,294 | 62.54% |
| | Person having security interest in shares | 16,530,000 | 4.14% |
| Ningxia Tianyuan Manganese Industry Group Co., Ltd. (<i>Note</i>) | Interest of controlled corporation/ Corporate interest | 266,069,294 | 66.69% |

Note: Tian Yuan Manganese Limited is a wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd.* (寧夏天元鎳業集團有限公司), a corporation controlled by Mr. Jia Tianjiang. By virtue of the SFO, Ningxia Tianyuan Manganese Industry Group Co., Ltd., Mr. Jia Tianjiang and his spouse, Ms. Dong Jufeng, are deemed to be interested in the 266,069,294 shares of the Company held by Tian Yuan Manganese Limited.

Save as stated above, no person (excluding the Directors and the chief executives of the Company) was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2022.

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

Hong Kong, 30 August 2022