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)

2019 FINAL RESULTS – ANNOUNCEMENT AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of China Tian Yuan Healthcare Group Limited (the "Company") dated 30 March 2020 (the "Announcement") in relation to the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement. The differences between the unaudited consolidated results for the Year set out in the Announcement and the audited consolidated results for the Year set out in this announcement have been set out in the section headed "Differences Between Unaudited and Audited Annual Results" in this announcement.

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 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations			
Revenue	3	70,548	59,669
Other (losses) and gains, net	4	(106,571)	7,641
Allowance for expected credit loss		(76,188)	–
Administrative expenses	5	(72,508)	(80,951)
Share of losses of associates (net of tax)		(4,897)	(2,346)
Finance costs	6	(189)	–
Loss before taxation		(189,805)	(15,987)
Income tax expense	7	(219)	(375)
Loss for the year from continuing operations	9	(190,024)	(16,362)
Discontinued operations			
Gain/(loss) for the year from discontinued operations	8	23,777	(23,685)
Loss for the year		(166,247)	(40,047)
Loss for the year attributable to:			
Equity shareholders of the Company			
– from continuing operations		(195,096)	(14,448)
– from discontinued operations		24,893	(13,174)
		(170,203)	(27,622)
Non-controlling interests			
– from continuing operations		5,072	(1,914)
– from discontinued operations		(1,116)	(10,511)
		3,956	(12,425)
Loss for the year		(166,247)	(40,047)
Loss per share	10	*HK cents*	*HK cents*
Basic loss per share			
– for the year		(42.65)	(6.92)
– from continuing operations		(48.89)	(3.62)
Diluted loss per share			
– for the year		(42.65)	(6.92)
– from continuing operations		(48.89)	(3.62)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Loss for the year	(166,247)	(40,047)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income ("FVOCI")		
– net movement in fair value reserves (non-recycling)	–	(3,027)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(2,146)	42
Exchange differences on monetary item forming net investment in a foreign operation	181	(63)
Total other comprehensive expense for the year	(1,965)	(3,048)
Total comprehensive expense for the year	(168,212)	(43,095)
Total comprehensive expense attributable to:		
Equity shareholders of the Company	(171,652)	(30,858)
Non-controlling interests	3,440	(12,237)
Total comprehensive expense for the year	(168,212)	(43,095)

Note: The comparative information has been restated to reflect the presentation of discontinued operations.

Consolidated Statement of Financial Position
as at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		4,631	53,845
Intangible assets		117,396	142,653
Goodwill	12	35,401	95,016
Interests in associates		6,122	8,367
Financial assets at fair value through other comprehensive income		–	538
Trade and other receivables	13	20,156	23,779
		183,706	324,198
Current assets			
Trade and other receivables	13	70,545	68,863
Other financial assets	14	–	7,813
Financial assets at fair value through profit or loss		12,547	16,730
Loan receivables	15	186,014	171,699
Amounts due from fellow subsidiaries		11,043	1,138
Current tax recoverable		491	485
Cash and cash equivalents		22,428	114,346
		303,068	381,074
Current liabilities			
Trade and other payables	16	(13,659)	(35,312)
Lease liabilities		(2,049)	–
Deferred consideration		–	(1,728)
Interest-bearing borrowings	17	–	(960)
Loans from non-controlling interests	18	–	(21,961)
Other financial liabilities	20	(53,891)	–
Provision for taxation		(568)	(2,995)
		(70,167)	(62,956)
Net current assets		232,901	318,118
Total assets less current liabilities		416,607	642,316

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Interest-bearing borrowings	17	–	(28,041)
Loan from non-controlling interests	18	–	(11,940)
Obligations in excess of earnings from equity-method accounted joint venture		(227)	(227)
Lease liabilities		(1,374)	–
Deferred rental expense		–	(1,897)
Deferred tax liabilities	19	(15,852)	(15,938)
Other financial liabilities	20	–	(8,272)
		(17,453)	(66,315)
NET ASSETS		399,154	576,001
CAPITAL AND RESERVES			
Share capital	21	398,980	398,980
Share premium	21	20,663	20,663
(Deficit)/Reserves		(105,347)	66,305
Equity attributable to equity shareholders of the Company		314,296	485,948
Non-controlling interests		84,858	90,053
TOTAL EQUITY		399,154	576,001

Notes

1. Accounting policies

The audited annual results for the year ended 31 December 2019 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 2018, except for the accounting policy changes that are effective for the year ended 31 December 2019. Details of these changes in accounting policies are set out below.

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

- Amendments to HKFRS 9 *Prepayment Features with Negative Compensation*
- HKFRS 16 *Leases*
- Amendments to Hong Kong Accounting Standard ("HKAS") 19 *Plan Amendment, Curtailment or Settlement*
- Amendments to *HKAS 28 Long-term Interests in Associates and Joint Ventures*
- HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements 2015-2017 Cycle *Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

The adoption of these amendments to HKFRSs has had no significant financial effect on the financial position or performance of the Group except HKFRS 16. The nature and impact of HKFRS 16 are described below:

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) 15 *Operating Leases – Incentives* and HK(SIC) 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of revenue reserves at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

1. **Accounting policies (Continued)**

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office premises and storage. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank loans. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	38,467
Less: Operating lease commitments (discontinued operations)	(32,763)
	5,704
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2019	5,386
Analysed as	
Current	1,963
Non-current	3,423
	5,386

The following adjustments were made to the amounts recognised in the unaudited consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *HK$'000*	**Adjustments** *HK$'000*	**Carrying amount under HKFRS 16 at 1 January 2019** *HK$'000*
Non-current assets			
Right-of-use assets	–	5,386	5,386
Current liabilities			
Lease liabilities	–	(1,963)	(1,963)
Non-current liabilities			
Lease liabilities	–	(3,423)	(3,423)

1. Accounting policies (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the consolidated financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the consolidated statement of financial position and consolidated statement of profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year are as follow:

	Right-of-use assets *HK$'000*	**Lease liabilities** *HK$'000*
As at 1 January 2019	5,386	5,386
Depreciation expense	(2,036)	–
Interest expense	–	189
Payments	–	(2,152)
As at 31 December 2019	3,350	3,423

2. 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 operation

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 as well as royalty fees from the licensing of trademarks. 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 operation

Hospitality discontinued operation:	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.

2. 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 2019 and 2018 are set out below:

	Continuing operations								Discontinued operations			
	Investment Holding		Hospitality		Healthcare		Money Lending and Related Business		Hospitality		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition												
Point in time	–	218	272	4,365	13,958	18,410	3,061	3,050	65,894	111,173	83,185	137,216
Over time	–	–	–	–	20,338	8,142	–	–	–	–	20,338	8,142
Revenue from external customers	–	218	272	4,365	34,296	26,552	3,061	3,050	65,894	111,173	103,523	145,358
Interest income	–	–	–	–	–	–	32,919	25,484	–	–	32,919	25,484
Reportable segment revenue	–	218	272	4,365	34,296	26,552	35,980	28,534	65,894	111,173	136,442	170,842
Reportable segment (loss)/profit	(94,987)	(36,837)	(11,298)	(12,112)	(44,436)	4,417	(39,084)	28,534	23,777	(23,674)	(166,028)	(39,672)
Depreciation and amortisation	(2,421)	(311)	(15)	(58)	(15,437)	(15,423)	–	–	(4,781)	(8,256)	(22,654)	(24,048)
Impairment loss on												
– goodwill	–	–	–	–	(51,819)	–	–	–	–	–	(51,819)	–
– investment in an associate	(2,208)	–	–	–	–	–	–	–	–	–	(2,208)	–
Net realised and unrealised valuation loss on financial assets at FVTPL	(4,194)	(936)	–	–	–	–	–	–	–	–	(4,194)	(936)
Net realised and unrealised foreign exchange (loss)/gain	(2,706)	20	(4)	6	23	180	115	–	(19)	(69)	(2,591)	137
Net (loss)/gain on other financial assets/liabilities	(45,960)	7,804	–	–	–	–	–	–	–	–	(45,960)	7,804
Plant and equipment written off	–	–	–	–	–	–	–	–	–	(94)	–	(94)
Additions to non-current assets	–	9	–	–	988	–	–	–	9,101	4,700	10,089	4,709
Reportable segment assets	86,512	193,081	12,343	1,247	174,256	239,156	213,172	171,699	–	99,604	486,283	704,787
Reportable segment liabilities	15,210	5,559	1,263	3,341	54,727	8,717	–	–	–	92,721	71,200	110,338

Reconciliation of reportable segmental assets and liabilities

	2019	2018
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	486,283	704,787
Current tax recoverable	491	485
Consolidated total assets	486,774	705,272
Liabilities		
Reportable segment liabilities	71,200	110,338
Provision for taxation	568	2,995
Deferred tax liabilities	15,852	15,938
Consolidated total liabilities	87,620	129,271

3. Revenue

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Revenue from provision of hospitality related services	272	4,365
Revenue from provision of healthcare related services		
– Royalty fees	20,338	8,142
– Management fees	13,958	18,410
Revenue from money lending and related business activities		
– Loan handling fees	3,061	3,050
– Interest income on third parties loans	32,919	25,484
Dividend income	–	218
	70,548	59,669

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Discontinued operations		
Revenue from provision of hospitality related services	65,894	111,173

4. Other (losses) and gains, net

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Impairment loss on interest in an associate	(2,208)	–
Impairment loss on goodwill	(51,819)	–
Net realised and unrealised foreign exchange (loss)/gain	(2,572)	206
Net realised and unrealised valuation loss on financial assets at fair value through profit or loss	(4,194)	(936)
Net realised and unrealised (loss)/gain on other financial assets/liabilities	(45,960)	7,804
Interest income	86	714
Miscellaneous income/(loss)	96	(53)
Property, plant and equipment written off	–	(94)
	(106,571)	7,641

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Discontinued operations		
Loss on disposal of assets	(2,358)	–
Net realised and unrealised foreign exchange losses	(19)	(69)
Miscellaneous (loss)/income	(236)	75
	(2,613)	6

5. Administrative expenses

Continuing operations

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

Discontinued operations

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

6. Finance costs

	2019	**2018**
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interest expenses on lease payment	189	–
Discontinued operations		
Interest expenses on borrowings	843	1,283

7. Income tax expense

	2019	**2018**
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Current tax:		
Other jurisdictions	219	375
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 2019, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK$104.1 million (2018: HK$148.2 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits.

7. **Income tax expense (Continued)**

Tax losses amounting to HK$nil (2018: HK$12.6 million) have expiry dates between 1 to 5 years. Tax losses amounting to HK$72.3 million (2018: HK$86.7 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$31.8 million (2018: HK$48.9 million) do not expire under the tax legislations of the respective jurisdiction.

8. **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). 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"). The Disposal of SHR was completed on 6 July 2019.

The Disposal of Assets and Disposal of SHR, together referred as the "hospitality discontinued operation" per Note 2, represents the "Discontinued Operations" in 2019.

The loss for the period/year 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:

	Period ended 2/8/2019 *HK$' 000*	**Year ended 31/12/2018** *HK$' 000*
Loss for the period/year	(7,418)	(23,685)
Gain on Disposal of SHR	30,862	–
Gain on joint operation written off	333	–
	23,777	(23,685)

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:

	Period ended 6/7/2019 and 2/8/2019 *HK$' 000*	**Year ended 31/12/2018** *HK$' 000* *(restated)*
Revenue	65,894	111,173
Cost of sales	(12,541)	(22,033)
Gross profit	53,353	89,140
Other net (losses)/gains, net	(2,613)	6
Administrative expenses	(57,315)	(111,548)
Loss from operating activities	(6,575)	(22,402)
Finance costs	(843)	(1,283)
Loss before taxation	(7,418)	(23,685)
Income tax expense	–	–
Loss for the period/year	(7,418)	(23,685)

8. Discontinued operations (Continued)

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

	Period ended 6/7/2019 and 2/8/2019 ***HK$' 000***	Year ended 31/12/2018 *HK$' 000* *(restated)*
Depreciation of property, plant and equipment	**2,373**	3,587
Amortisation of intangible assets	**2,408**	4,669
Operating lease charges – rental of properties	**3,273**	5,493

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**

Net cash inflow arising on disposal:

Cash consideration	**25,577**
Less: bank balances and cash disposed of	**(625)**
	24,952

8. Discontinued operations (Continued)

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 cost)	**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)**

9. Loss for the year from continuing operations

Loss for the year is arrived at after charging:

	2019 *HK$'000*	**2018** *HK$'000*
Depreciation of property, plant and equipment	**2,526**	416
Amortisation of intangible assets	**15,347**	15,376
Operating lease charges – rental of properties	**1,432**	3,528

10. 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:

	Year ended 31/12/2019 ***HK$'000***	Year ended 31/12/2018 *HK$'000* *(restated)*
Loss for the year attributable to owners of the Company	**(170,203)**	(27,622)
Less:		
Profit/(loss) for the year from discontinued operations	**24,893**	(13,174)
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**(195,096)**	(14,448)

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$195,096,000 (2018: HK$14,448,000).

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 HK6.24 cents per share (2018: loss per share of HK3.30 cents), based on the profit for the year from the discontinued operations of HK$24,893,000 (2018: loss for the year of HK$13,174,000).

Diluted earnings per share are not applicable as there are no dilutive potential ordinary shares for both 2019 and 2018.

11. Dividends

The Directors of the Company have resolved not to propose any final dividend for the year ended 31 December 2019 (2018: nil).

No interim dividend was paid for the year ended 31 December 2019 (2018: nil).

12. Goodwill

	HK$' 000
Cost	
At 1 January 2018	96,547
Exchange adjustments	182
At 31 December 2018	96,729
Disposal (note 8)	(9,007)
Exchange adjustments	(502)
At 31 December 2019	87,220
Impairment	
At 1 January 2018	1,710
Exchange adjustments	3
At 31 December 2018	1,713
Disposal (note 8)	(1,713)
Impairment loss	(51,819)
At 31 December 2019	(51,819)
Carrying amount	
At 31 December 2018	95,016
At 31 December 2019	35,401

13. Trade and other receivables

	2019 *HK$'000*	2018 *HK$'000* *(restated)*
Trade receivables (note (a))	17,872	28,903
Interest receivables (note (a))	27,114	15,091
Less: Allowance for expected credit loss	(1,169)	(62)
	43,817	43,932
Due from an associate	–	1,254
Other receivables and deposits	22,090	19,074
Less: Allowance for expected credit loss	(6,551)	–
	59,356	64,260
Prepayments (note (b))	31,345	28,382
Trade and other receivables	90,701	92,642
Non-current	20,156	23,779
Current	70,545	68,863
	90,701	92,642

(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 (net of allowance for expected credit loss) based on the invoice date is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Less than 1 month	25,611	15,948
1 to 3 months	6,173	16,864
More than 3 months	12,033	11,120
	43,817	43,932

HK$3,872,000 (2018: HK$4,065,000) of trade receivables represents 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$21.7 million (2018: HK$24.9 million) paid in advance to business consultants who provide advisory services on the businesses of the Group.

14. Other financial assets

The other financial assets relate to the dividend forgone by non-controlling shareholders of HK$7,813,000 in 2018 and unquoted investment of HK$538,000 in 2018. These other financial assets are measured at fair value and are matured on 31 December 2019.

15. Loan receivables

	2019 *HK$'000*	2018 *HK$'000*
Loans to third parties	254,482	171,699
Less: Allowance for expected credit loss	(68,468)	–
	186,014	171,699

One of the loans to third parties of approximately HK$101.2 million (2018: approximately HK$101.8 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$60.5 million (2018: approximately HK$60.8 million) which is secured by personal guarantee from a shareholder of the borrower.

The remaining loans bear interest at rates ranging from 10% to 18.5% (2018: 10% to 12%) per annum, and are repayable within one year.

16. Trade and other payables

	2019 *HK$'000*	2018 *HK$'000*
Trade payables	–	9,576
Other payables and accrued charges	13,659	20,733
	13,659	30,309
Deferred income	–	5,003
	13,659	35,312

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

	2019 *HK$'000*	2018 *HK$'000*
Due within 1 month or on demand	–	5,497
Due 1 to 3 months	–	3,786
Due 3 to 12 months	–	293
	–	9,576

17. Interest-bearing borrowings

	2019	2018
	HK$'000	*HK$'000*
Term loan (secured)	–	29,001
Repayable:		
– Within 1 year	–	960
– After 1 year but within 2 years	–	995
– After 2 years but within 5 years	–	27,046
	–	28,041
	–	29,001

The interest-bearing borrowings are related to the Discontinued Operations as set out in note 8.

18. Loan from non-controlling interests

The loans from non-controlling interests are unsecured and interest-free. The loan for non-controlling interests are related to the Discontinued Operations as set out in note 8.

19. Deferred tax liabilities

The deferred tax liabilities of HK$15,852,000 (2018: HK$15,938,000) 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.

20. 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.

21. Share capital

	Share capital	Share premium	Total
	HK$'000	*HK$'000*	*HK$'000*
The Company			
Balance at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	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.

22. Comparative figure

Certain comparative figures have been adjusted to conform with the disclosure requirements in respect of the Discontinued Operations set out in note 8.

23. Events after the end of The Reporting Period

On 31 December 2019, the Group has entered into a sale and purchase agreement ("SPA") to acquire a target group (comprising of a hospital in Shanghai ("Shanghai Hospital")) for a consideration of RMB30,000,000 (equivalent to approximately HK$33,600,000). Shanghai Hospital is principally engaged in the plastic surgery operation in People's Republic of China. The completion of the acquisition is conditional upon the fulfillment the conditions precedent set out in the SPA. As at the date of this announcement, the acquisition has been completed. Prepayments and other receivables amounting to HK$16,061,000 included under trade and other receivables set out in note 13 as at year ended 31 December 2019 was paid to the seller for this acquisition. 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.

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

As the financial information included in the unaudited annual results announcement has not been audited and agreed by the Company's external auditors Moore Stephens CPA Limited, subsequent adjustments have been made to the unaudited annual results 2019. Major details and reasons for the differences between these financial information are set out below, as required under Rule 13.49(3)(ii)(b) of the Listing Rules.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Extracted)

	2019	**2019**	**Change**	
	HK$'000	*HK$'000*	*HK$'000*	*Notes*
	(Audited)	*(Unaudited)*		
Continuing operations				
Revenue	70,548	71,393	(845)	*(i)*
Other losses, net	(106,571)	(15,848)	(90,723)	*(ii)*
Allowance for expected credit loss	(76,188)	(75,142)	(1,046)	*(iii)*
Administrative expenses	(72,508)	(73,417)	909	*(i)*
Discontinued operations				
Gain for the year from discontinued operations	23,777	26,017	(2,240)	*(iv)*

Consolidated Statement of Financial Position (Extracted)

	2019	**2019**	**Change**	
	HK$'000	*HK$'000*	*HK$'000*	*Notes*
	(Audited)	*(Unaudited)*		
Non-current assets				
Goodwill	35,401	87,220	(51,819)	*(v)*
Current assets				
Trade and other receivables	70,545	87,804	(17,259)	*(vi)*
Loan receivables	186,014	180,502	5,512	*(vii)*
Amounts due from fellow subsidiaries	11,043	–	11,043	*(vi)*
Current liabilities				
Other financial liabilities	(53,891)	(12,932)	(40,959)	*(viii)*

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS (CONTINUED)

(i) The difference in revenue was resulted from the reclassification to administrative expenses.

(ii) The differences in other net losses was mainly due to impairment of goodwill and the change in fair value of other financial liabilities as mentioned in note (v) and (viii).

(iii) The difference in allowance for expected credit loss was mainly due to the impairment on trade receivables.

(iv) The difference in gain for the year from discontinued operations was mainly due to recognition on loss on Disposal of Assets.

(v) The difference in goodwill was mainly due to impairment during the year.

(vi) The differences in trade and other receivables was mainly due to the impairment on other receivables and reclassification of amounts to due from fellow subsidiaries.

(vii) The difference in loan receivables was mainly due to reclassification of expected credit loss to other receivables.

(viii) The difference in other financial liabilities was mainly due to the fair value changes of the put and call option.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss of approximately HK$166.2 million for FY2019 as compared with a net loss of approximately HK$40.0 million for the year ended 31 December 2018. The higher net loss was mainly attributable to the expected credit losses incurred on the Group's Money Lending and Related Business segment, the impairment loss on goodwill and loss on changes in fair value of other financial liabilities, which is partially offset by the net gain on disposal of a subsidiary for FY2019. The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$170.2 million for FY2019 as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$27.6 million in the previous corresponding year.

Investment Holding segment

The Group's Investment Holding segment recorded net loss on fair value of other financial assets/liabilities of approximately HK$46.0 million and the net realised and unrealised valuation loss on financial assets at FVTPL of approximately HK$4.2 million. Overall, total net realised and unrealised loss of approximately HK$50.2 million was recorded for FY2019 as compared with the total net realised and unrealised gain 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$95.0 million for FY2019 as compared with a loss before tax of approximately HK$36.8 million in the previous corresponding year.

Hospitality segment

Regarding the Group's Hospitality segment, the Group's U.S. hotel management arm, Richfield Hospitality, Inc. has ceased the hotel management service in order to reduce loss in the hospitality segment and therefore no management fee income was recorded for FY2019. On the other hand, management fee income of approximately HK$4.4 million was recorded in the previous corresponding year. The loss before tax is approximately HK$11.3 million for FY 2019 as compared with a loss before tax of approximately HK$12.1 million in the previous corresponding year.

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

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of approximately HK$9.6 million for seven months as compared with approximately HK$20.8 million from the previous corresponding year. The Hotel recorded a loss before tax of approximately HK$5.1 million for FY2019 as compared with a loss before tax of approximately HK$2.2 million in the previous corresponding year.

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 SHR with consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

The Group's 51% equity interest in Sceptre Hospitality Resources, LLC (the "SHR") together with its subsidiaries, Sceptre Hospitality Resources Pte. Ltd, Sceptre Hospitality Resources Europe S.L., Cross-Tinental S.L. and Kootae SLU (collectively, the "SHR Group"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded revenue of HK$56.3 million for six months as compared with approximately HK$90.4 million in the previous corresponding year, SHR Group recorded an operating loss of approximately HK$2.3 million as compared with an operating loss of approximately HK$21.5 million in the previous corresponding year.

The Group also recognised share of losses from its associates, S-R Burlington Partners, LLC. of approximately HK$4.3 million for FY2019, as compared to a share of loss of HK$2.3 million in the previous corresponding year.

Consequently, excluding the net gain on disposal of a subsidiary/assets of HK$28.5 million and gain on joint operation written off of HK$0.3 million, the Group's Hospitality segment reported a loss before tax of approximately HK$16.4 million for FY2019 as compared with a loss before tax of approximately HK$35.8 million 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$20.3 million for FY2019 as compared with royalty income of approximately HK$8.1 million in the previous corresponding year, and PRIP and DIAM contributed service income of approximately HK$14.0 million for FY2019 as compared with service income of approximately HK$18.4 million in the previous corresponding year.

Money Lending and Related Business segment

Regarding the Group's Money Lending and Related Business segment, the Company recognised handling income of HK$3.1 million and interest income from third parties loans of HK$32.9 million for FY2019, as compared with handling income of HK$3.1 million and interest income from third parties loans of HK$25.5 million in the previous corresponding year.

Others

Basic loss per share for FY2019 was HK$42.65 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$0.40 as at 31 December 2019, decreased from HK$0.62 at 31 December 2018. The board did not propose a final dividend for FY2019.

PROSPECTS

Hospitality segment

During 2019, the Group has completed the disposal of certain businesses in hospitality segment including the 51% equity interest in SHR Group and the assets in the Sheraton Chapel Hill Hotel (the "Disposal"), the details of which are disclosed in the announcements of the Company dated 6 July 2019 and 6 August 2019, respectively.

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

Following the completion of the Disposal, 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.

At 31 December 2019, the Group entered into a sale and purchase agreement to acquire a plastic surgery hospital which 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. It is believed that plastic surgery business will bring synergy to the Group and is beneficial to the future development of the Group.

Money lending and related business

In 2019, 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 obtained a money lending licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Given that the trade friction and negotiation between the People's Republic of China and the United States the global outbreak of the novel coronavirus (COVID-19) pandemic has caused disruptions to the business activity globally and is 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 annual results of the Group for FY2019 contained herein have been reviewed by the disclaimer opinion audit committee of the Company.

EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual audited consolidated financial statements for the year ended 31 December 2019 which has included a disclaimer of opinion.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. **Scope limitations on inability to obtain sufficient appropriate audit evidence to audit assets, liabilities, revenue and expenses of DIAM Holdings Co. Ltd. ("DIAM")**

   We were provided by the management of the Group with an agreement for the acquisition of 51% of the equity interests of PRIP Communications Limited ("PRIP") and its wholly-owned subsidiary, DIAM dated 29 May 2017. The acquisition was completed on 31 August 2017 (the "Acquisition").

During the course of our audit for the year ended 31 December 2019, we had requested the management of the Group to provide us with certain information and materials relating to DIAM for our audit purposes, including vouchers and invoices for selected transactions and walkthrough documents. However, up to the date when the consolidated financial statements were authorised for issue, we were not provided with sufficient requested information and materials. Although we were provided with certain information of DIAM, we were unable to access to complete books and accounting records of DIAM which the Board explained to us that the primary reason was due to the outbreak of COVID-19.

Below is certain financial information provided by the Group about the revenue and results of DIAM for the years ended 31 December 2019 and 31 December 2018, and assets and liabilities of DIAM as at 31 December 2019 and 31 December 2018. We understand from the management of the Group that the below information was before elimination of intragroup transactions between DIAM and other group entities.

	2019	**2018**
	HK$'000	*HK$'000*
Revenue	12,726	15,592
Profit for the year	1,953	2,351
Total assets	5,888	4,661
Total liabilities	856	1,325

Due to the inability to access to the complete books and accounting records of DIAM, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the accuracy, existence, completeness, measurement, presentation and disclosures of all assets and liabilities of DIAM as at 31 December 2019 and as at 31 December 2018, profit or loss and other comprehensive items and cash flow items of DIAM for the years ended 31 December 2019 and the consequential effect on profit or loss and other comprehensive items and cash flow items of DIAM for the year ended 31 December 2018. We were also unable to satisfy ourselves about the completeness, measurement and presentation and disclosures of DIAM's and the Group's contingencies and commitments as at 31 December 2019 and 31 December 2018, as disclosed in notes 39 and 40 to the consolidated financial statements. There were no alternative audit procedures we could perform on these aspects.

Furthermore, as disclosed in note 17 and note 16 to the consolidated financial statements, there were goodwill with carrying amount of HK$35,401,000 (net of impairment loss of HK$51,819,000) (2018: HK$87,695,000) and intangible assets (trademarks and customer contracts) with the carrying amount of HK$117,396,000 (2018:HK$136,275,000) respectively included in the consolidated financial statements as at 31 December 2019 arising from the Acquisition. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the measurement (including impairment assessment) and presentation and disclosures about the abovementioned goodwill and intangible assets and the related deferred taxation as at 31 December 2019 and 31 December 2018.

Any adjustments found to be necessary in respect of the above issues, had we obtained sufficient appropriate audit evidence, might have had a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flows for the years ended 31 December 2019 and 31 December 2018 and the presentation and disclosures in the consolidated financial statements.

2. **Scope limitation on inability to obtain sufficient appropriate evidence to audit the Group's royalty income and related receivables**

We were provided by the management of the Group with an agreement entered into by PRIP for granting a clinic (the "Clinic") an exclusive right to use certain trademarks in the Republic of Korea which specified the royalty income would be amounted to HK$8,124,000 and HK$8,142,000 for the years ended 31 December 2019 and 31 December 2018 respectively. The trade receivables in relation to the royalty income amounted to HK$3,785,000 and HK$3,807,000 as at 31 December 2019 and 31 December 2018 respectively. We were also provided by the management of the Group with an agreement entered into by PRIP for providing marketing service to the Clinic which specified the marketing service income would be amounted to HK$2,815,000 for the year ended 31 December 2018. We have sent confirmation to confirm the abovementioned transactions and balances and have not obtained any reply from the Clinic up to the date when the consolidated financial statements were authorised for issue.

Due to the lack of sufficient appropriate audit evidence, we were unable to satisfy ourselves as to whether the amount recognised for trade receivables as at 31 December 2019 and 31 December 2018 and the amount recognised for revenue for the years ended 31 December 2019 and 31 December 2018 were appropriate.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flow for the years then ended and the presentation and disclosures in the notes to the consolidated financial statements for the years then ended.

3. **Scope limitation on inability to obtain sufficient appropriate evidence to audit various derivatives associated with the Acquisition**

Pursuant to note 1 to the Basis for disclaimer of opinion and Shareholders Agreement of the Acquisition dated 29 May 2017 (the "Agreement") provided by the management of the Group:

(i) the vendors, who were also the non-controlling shareholders of PRIP, agreed to waive and forfeit their rights to receive dividends from PRIP for financial years ended 31 December 2017, 2018 and 2019 ("Dividend Right Forgone");

(ii) the vendors undertook to the Company that they shall procure PRIP and DIAM to achieve specified revenue targets for PRIP and specified profit targets for DIAM for financial years ended 31 December 2017, 2018 and 2019. In the event that the revenue and profit targets were not met, the vendors would pay a compensation to the Company according to the predetermined formula as agreed in the Agreement (the "Guarantee"); and

(iii) the vendors had a put option or right to require the Company to purchase their 29% equity interest in PRIP at US$12,285,458 upon fulfillment of all of the revenue and profit guarantee targets for financial years ended 31 December 2017, 2018 and 2019 and the Company had a call option or right to purchase vendors' 29% equity interest in PRIP at US$12,285,458. The rights were exercisable during the three months after the issue of the audited financial statements of PRIP for the financial year ended 31 December 2019 ("Put and Call Options").

Included in the consolidated statement of financial position of the Group, as disclosed in note 20 and note 33 to the consolidated financial statements, were:

(i) an asset (included in "other financial assets") that represented the Dividend Right Forgone with carrying amount amounting to HK$nil and HK$7,813,000 as at 31 December 2019 and 31 December 2018 respectively;

(ii) an asset (included in "other financial assets") that represented the Guarantee with carrying amount amounting to HK$nil as at 31 December 2019 and 31 December 2018 respectively; and

(iii) a liability (included in "other financial liabilities") that represented the Put and Call Options amounting to HK$53,891,000 and HK$8,272,000 as at 31 December 2019 and 31 December 2018 respectively.

Since we were not provided with sufficient appropriate audit evidence about the abovementioned Dividend Right Forgone, Guarantee and Put and Call Options as at 31 December 2019 and 31 December 2018, we were unable to satisfy ourselves about the classification, presentation and measurement of the related assets and liabilities. For example, we were unable to satisfy ourselves about whether the assumptions and inputs adopted by the management of the Group in determining the value of the Dividend Right Forgone, Guarantee and Put and Call Option were appropriate. We were unable to satisfy ourselves as to the measurement of the fair values of these assets and liabilities as at 31 December 2019 and 31 December 2018 and fair value changes amounting to HK$45,960,000 and HK$7,804,000, as disclosed in note 6 to the consolidated financial statements, for the years ended 31 December 2019 and 31 December 2018 respectively.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flows for the years then ended and the presentation and disclosures in the notes to the consolidated financial statements for the years then ended.

4. Scope limitation on inability to obtain sufficient appropriate evidence to audit the Group's loans receivables and loan interest income

On 14 July 2017, the Company entered into a loan agreement with a company ("Borrower A") pursuant to which the Company granted a loan of US$13,000,000 (equivalent to HK$101,509,000) to Borrower A ("Loan A"), bearing interest at 12% per annum and repayable on 13 July 2018. Borrower A failed to make repayment upon maturity. The maturity date was extended to 11 November 2019 and further extended to 12 February 2020. As at 31 December 2019, the carrying amounts of the loan receivables and interest receivables (before impairment) were amounted to HK$101,233,000 and HK$12,345,000 respectively. The management of the Group considered the recovery of the loan principal of HK$62,778,000 was remote and hence recognised impairment loss of HK$62,778,000 for the year ended 31 December 2019. As at 31 December 2019, the loan receivables and interest receivables (net of impairment) were amounted to HK$38,455,000 and HK$12,345,000 respectively. In March 2020, the Group received payment of HK$33,000,000 from the sole shareholder of Borrower A and payment of RMB16,000,000 (equivalent to HK$17,800,000) from a party which is not Borrower A.

On 11 September 2017 the Company entered into a loan agreement ("Loan Agreement B") with a company ("Borrower B") pursuant to which the Company granted a loan of RMB10,000,000 (equivalent to HK$11,899,000) to Borrower B ("Loan B"), bearing interest at 10% per annum and repayable on 16 May 2018. Borrower B failed to make repayment upon maturity. The maturity date was extended to 15 May 2019 and further extended to 15 May 2020. We were provided by the management of the Company with a document dated 23 March 2018 which stated that 北京天元錳業有限公司 ("北京天元錳業"), a fellow subsidiary of the Group, would guarantee full repayment of Loan B to the Company in case the loan was defaulted. This guarantee was not mentioned in Loan Agreement B. On 29 June 2018, 北京天元錳業 repaid RMB2,000,000 to the Group on behalf of Borrower B. As at 31 December 2019, the carrying amounts of the loan receivables and interest receivables (before impairment) were amounted to HK$9,806,000 and HK$618,000 respectively. An impairment loss of HK$762,000 was recognised for the year ended 31 December 2019. As at 31 December 2019, the loan receivables and interest receivables (net of impairment) were amounted to HK$9,090,000 and HK$573,000 respectively.

On 16 January 2018, the Company entered into a loan agreement ("Loan Agreement C") with a company ("Borrower C") pursuant to which the Company granted a loan of RMB50,000,000 (equivalent to HK$60,807,000) to Borrower C ("Loan C"), bearing interest at 12% per annum and repayable on 15 January 2019. Borrower C failed to make repayment upon maturity. The maturity date was extended to 15 January 2020 and further extended to 15 January 2021. We were provided by the management of the Company with a document dated 27 March 2019 which stated that 北京天元錳業and Beijing Yuyue Healthcare Beauty Hospital Limited ("Beijing Yuyue"), an indirect non-wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd., the ultimate controlling shareholder of the Company, would guarantee full repayment of Loan C to the Company in case the loan was defaulted. This guarantee was not mentioned in Loan Agreement C. As at 31 December 2019, the carrying amounts of the loan receivables and interest receivables (before impairment) were amounted to HK$60,477,000 and HK$7,560,000 respectively. An impairment loss of HK$4,973,000 was recognised for the year ended 31 December 2019. As at 31 December 2019, the loan receivables and interest receivables (net of impairment) were amounted to HK$55,504,000 and HK$7,560,000 respectively. In July 2020, the Group received payment of RMB29,205,000 (equivalent to HK$32,346,000) from a party which is not Borrower C, 北京天元錳業 and Beijing Yuyue.

No impairment loss was recognised for all the abovementioned loans in the Group's consolidated financial statements for the year ended 31 December 2018 despite the facts that all borrowers failed to repay the loans principals on the agreed maturity dates. An impairment loss amounting to HK$68,513,000 was provided to the above loans receivables and interest receivables in the Group's consolidated financial statements for the year ended 31 December 2019. The management of the Group was not able to provide us with sufficient appropriate audit evidence in relation to the credit assessments that were in place regarding the granting, execution and extension of the abovementioned loans. No sufficient appropriate evidence was available to us to satisfy ourselves about whether the Group had proper internal control process associated with credit assessment of the borrowers.

We were unable to obtain sufficient appropriate audit evidence about (i) whether all relationships between the Group and the abovementioned borrowers were provided to us, (ii) the commercial substance of the so-called "loans" as represented by the management of the Group; (iii) whether the Group had proper credit assessment regarding the granting, execution and extension of the abovementioned loans; and (iv) the validity of the documents which stated that 北京天元錳業 would guarantee the full repayment of Loan B and 北京天元

錳業 and Beijing Yuyue would guarantee the full repayment of Loan C in case the loans were in default. We were also unable to obtain sufficient appropriate audit evidence about whether the amounts of impairment losses recognised for the years ended 31 December 2019 and 31 December 2018 were appropriate and whether loan receivables and repayments to/from these so-called "borrowers" were properly presented in the consolidated financial statements for the years ended 31 December 2019 and 31 December 2018.

In 2019, the Group advanced 5 loans to 5 companies (the "2019 Borrowers"). We were provided with 2 sets of agreements in respect of each of the 2019 Borrowers. The 2 sets of agreements mentioned different interest rates. We inquired with the management of the Group about the inconsistencies and the management explained the set of agreements with interest rates at 4.55% are replaced by the other set of agreements with interest rates at 12.73%. In July 2020, the Five Loans have been fully settled by the 2019 Borrowers, no impairment loss was recognised for the year ended 31 December 2019.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the abovementioned inconsistencies, the commercial substance of the loans and why loans were advanced to the 2019 Borrowers and whether the Group had proper credit assessment regarding the granting, execution and extension of the abovementioned loans. We were also unable to obtain sufficient appropriate audit evidence about whether the loans to these so-called "borrowers" were properly presented in the consolidated financial statements for the year ended 31 December 2019.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flows for the years then ended and the presentation and disclosures in the consolidated financial statements for the years then ended. Any adjustments found to be necessary might also have consequential effect on the net assets of the Company as at 31 December 2019 and 31 December 2018 as disclosed in note 41 to the consolidated financial statements.

5. Scope limitation on inability to obtain sufficient appropriate evidence to audit "other receivables" from the 2019 Borrowers

During the year ended 31 December 2019, the Group paid a total of HK$3,802,000 to 3 borrowers of the 2019 Borrowers. An impairment loss amounting to HK$1,127,000 was recognised for the year ended 31 December 2019. The carrying amount net of impairment of HK$2,675,000 was included in "trade and other receivables" as at 31 December 2019.

During the course of our audit, we had enquired the management of the Group about the nature of the payments and requested the management of the Group to provide us with the relevant agreements for these payments. However, up to the date when the consolidated financial statements were authorised for issue, the management of the Group still failed to provide us with the requested information.

Due to the lack of sufficient appropriate audit evidence, we were unable to ascertain the nature of these "other receivables". We were also unable to obtain sufficient appropriate audit evidence about the measurement, presentation and disclosures about these "other receivables" in the consolidated financial statements were appropriate.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019, on its loss and cash flows for the year then ended and the presentation and disclosures in the consolidated financial statements for the years then ended. Any adjustments found to be necessary might also have consequential effect on the net assets of the Company as at 31 December 2019 as disclosed in note 41 to the consolidated financial statements.

6. Scope limitation on inability to obtain sufficient appropriate evidence to ascertain whether the Company has the ability to lend without money lending license

During the course of our audit, we noted that the Company granted Loan A, Loan B and Loan C, amounting to HK$171,699,000 and HK$113,408,000 in aggregate, to the so-called "borrowers" during the years ended 31 December 2018 and 31 December 2017 respectively. The carrying amounts of these so-called "loans" before impairment amounted to HK$171,516,000, HK$171,699,000 and HK$113,408,000 as at 31 December 2019, 31 December 2018 and 1 January 2018 respectively. We had requested the management of the Group to provide us with the related money lending license. However, we were told that the Company did not obtain money lending licence as of the dates of grant. We were told that the Group had obtained legal opinions to support that the loans were qualified as "exempted loans with no need to obtain money lending licence" for the purposes of audit for the consolidated financial statements for the year ended 31 December 2018.

The Company further granted 2 loans amounting to US$3,500,000 to 2 of the 2019 Borrowers. During the course of our audit, we had requested the management of the Group to provide us with external legal opinion to explain why the Company did not need to have the money lending license for the so-called "loans" to be advanced. Up to the date when the consolidated financial statements were authorised for issue, we had not obtained the requested information. We were also unable to ascertain whether the Company has the legal validity to lend money.

7. Scope limitation on inability to obtain sufficient appropriate evidence to audit the Group's prepayments, other receivables, amount due from fellow subsidiary and royalty income and related trade receivables

During the year ended 31 December 2019, the Group made prepayments and advances amounting to HK$5,795,000 and HK$3,120,000 respectively to Beijing Yuyue and advances amounting to HK$2,128,000 to 北京天元錳業. No impairment was recognised for the abovementioned prepayments and advances for the year ended 31 December 2019. We had requested the management of the Group to provide us with any agreements or other documentary evidence to support the nature and business rationale of these prepayments and advances. However, we were unable to obtain sufficient explanations regarding the underlying commercial reasons for these prepayments and advances to Beijing Yuyue and 北京天元錳業. On 22 May 2020, the management of the Group provided us with a loan agreement which management of the Group told us that it was signed in June 2019. The Group then reclassified the abovementioned balances from prepayments and other receivables to amount due from fellow subsidiary as at 31 December 2019. We had requested but not provided with sufficient explanations about the validity of the loan agreement and the reason for the reclassification which could satisfy ourselves for the purpose of our audit.

Prepayment and other receivables amounting to HK$1,130,000 and HK$6,250,000 respectively were paid to Shanghai Yuyue Meilianchen Healthcare Beauty Hospital Limited ("Shanghai Yuyue") as at 31 December 2018, no impairment was recognised during the year ended 31 December 2018. Prepayment and other receivables paid to Shanghai Yuyue had further increased to HK$4,560,000 and HK$13,180,000 respectively as at 31 December 2019. During the year ended 31 December 2019, prepayment of HK$2,230,000 was also paid to Shanghai Rifu Industrial Limited ("Shanghai Rifu"), the immediate holding company of Shanghai Yuyue. An impairment loss of HK$3,909,000 was recognised for the abovementioned balances for the year ended 31 December 2019. The carrying amounts of these prepayments and advances amounted to HK$16,061,000 (net of impairment) as at 31 December 2019.

On 3 June 2020, the management of the Group provided us with a supplemental agreement dated 29 May 2020 to explain that the abovementioned advances to Shanghai Yuyue and Shanghai Rifu were for the purpose of acquisition of Shanghai Yuyue and Shanghai Rifu. However, the related announcement of the Company dated 31 December 2019 did not mention anything about the abovementioned advances to Shanghai Yuyue and Shanghai Rifu in 2018 and 2019.

We were told by the management of the Group that PRIP granted Shanghai Yuyue an exclusive right to use certain trademarks in Shanghai in 2019. The management of the Group recognised the royalty income amounting to HK$9,480,000 for the year ended 31 December 2019 and related trade receivables amounting to HK$9,480,000 as at 31 December 2019 which had not been settled up to the date when the consolidated financial statements were authorised for issue. We had requested but not provided with sufficient appropriate audit evidence to substantiate the existence, accuracy and completeness of the royalty income and its related trade receivables.

Due to the lack of sufficient audit evidence, we were unable to satisfy ourselves as to:

(i) Whether the management's representation about the prepayments and advances that were paid to Shanghai Yuyue and Shanghai Rifu in 2018 and 2019 were for the acquisition of Shanghai Yuyue and Shanghai Rifu;

(ii) The commercial substance, occurrence, accuracy, completeness of the prepayments and advances to Beijing Yuyue, Shanghai Yuyue and Shanghai Rifu; and

(iii) Whether the effects of the abovementioned advances, prepayments, royalty income and related receivables and acquisition had been properly accounted for, presented and disclosed in the consolidated financial statements.

In addition, the management of the Group provided an agreement dated 29 May 2017 ("Advisory Services Agreement") stating a total of US$3,980,000 would be paid to 2 advisors (the "Advisors") to provide advisory services to the Group in developing or acquiring new businesses for a period of 10 years (the "Advisory Services"). Prepayments amounting to HK$21,700,000 and HK$24,900,000 was recognised in the consolidated financial statements as at 31 December 2019 and 31 December 2018 respectively. Management of the Group told us the Advisors were experts in healthcare industry and had provided a few proposals to the Group. We have sent confirmations to the Advisors for the abovementioned Advisory Services. We had received signed confirmation but the address on the confirmation was different from the one being shown on the Advisory Services Agreement. We had asked the management of the Group the reasons for the difference but had not been provided with sufficient appropriate audit evidence to substantiate the background of the Advisors and the nature of the prepayments.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flows for the years then ended and the presentation and disclosures in the consolidated financial statements for the years then ended. Any adjustments found to be necessary might also have consequential effect on the net assets of the Company as at 31 December 2019 and 31 December 2018 as disclosed in note 41 to the consolidated financial statements.

8. Unable to obtain directors' fee confirmations

We were unable to obtain original confirmations from some of the directors of the Company regarding the directors' fees and benefits amounting to HK$19,253,000 during the year ended 31 December 2019, including director's fee of HK$19,027,000 and amount due to Mr. Jiang Yulin of HK$7,000,000 as shown in note 10 and note 26 to the consolidated financial statements, respectively.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019, on its loss and cash flows for the year then ended and the presentation and disclosures in the consolidated financial statements for the years then ended. Any adjustments found to be necessary might also have consequential effect on the net assets of the Company as at 31 December 2019 as disclosed in note 41 to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: nil).

By Order of the Board
China Tian Yuan Healthcare Group Limited
Zhang Xian
Executive Director

Hong Kong, 22 August 2020

As at the date of this announcement, the Board comprised eight directors of which Mr. Wang Huabing (chairman) and Ms. Zhang Xian are the executive directors; Ms. He Mei, Mr. Zhang Yupeng 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*