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)

2017 FINAL RESULTS — ANNOUNCEMENT
CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS

The directors (the "Directors") of China Tian Yuan Healthcare Group Limited (formerly known as City e-Solutions Limited) (the "Company") announce the following consolidated results of the Company and its subsidiaries, joint arrangements and associates (the "Group") for the year ended 31 December 2017 ("FY2017") together with comparative figures.

Consolidated Statement of Profit or Loss
for the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	175,280	100,654
Cost of sales		(23,228)	(19,498)
Gross profit		152,052	81,156
Other net gains/(losses)	4	25,915	(30,712)
Administrative expenses	5	(175,344)	(119,847)
Profit/(Loss) from operating activities		2,623	(69,403)
Finance costs	6	(2,025)	(1,420)
Share of (loss)/profit of a joint venture		(8)	19,560
Share of profits of associates		312	520
Profit/(Loss) before taxation		902	(50,743)
Income tax expense	7	(2,330)	(10,556)
Loss for the year	8	(1,428)	(61,299)
Attributable to:			
Equity shareholders of the Company		14,877	(57,550)
Non-controlling interests		(16,305)	(3,749)
Loss for the year		(1,428)	(61,299)
Earnings per share		*HK cents*	*HK cents*
Basic earnings/(loss) per share	9	3.83	(15.05)
Diluted earnings/(loss) per share	9	3.83	(15.05)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	(1,428)	(61,299)
Other comprehensive income for the year (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	1,411	96
Exchange differences on monetary item forming net investment in a foreign operation	(257)	26
Total comprehensive income for the year	(274)	(61,177)
Attributable to:		
Equity shareholders of the Company	15,929	(57,448)
Non-controlling interests	(16,203)	(3,729)
Total comprehensive income for the year	(274)	(61,177)

Consolidated Statement of Financial Position
as at 31 December 2017

	Note	2017 *HK$'000*	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		55,383	41,058
Intangible assets	11	161,311	7,064
Goodwill	12	94,837	8,941
Available-for-sale financial assets		18,321	18,179
Interests in associates		6,682	8,491
Trade and other receivables	14	28,567	—
Other financial assets	13	13,120	—
Total non-current assets		378,221	83,733
Current assets			
Trading securities		47,077	74,101
Trade and other receivables	14	42,669	29,854
Loan receivables	15	113,408	—
Current tax recoverable		2,884	2,536
Cash and cash equivalents		134,857	339,945
		340,895	446,436
Current liabilities			
Trade and other payables	16	(33,578)	(27,928)
Interest-bearing borrowings	17	(922)	(719)
Provision for taxation		(2,600)	(180)
		(37,100)	(28,827)
Net current assets		303,795	417,609
Total assets less current liabilities		682,016	501,342

	Note	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Deferred rental expense		(586)	—
Deferred consideration	13	(1,719)	—
Deferred tax liabilities	18	(15,908)	—
Dividends received in excess of earnings from equity-method accounted joint venture		(227)	(209)
Interest-bearing borrowings	17	(28,946)	(28,982)
Loan from non-controlling interests		(42,787)	(2,908)
Other financial liabilities	13	(16,787)	—
		(106,960)	(32,099)
NET ASSETS		575,056	469,243
CAPITAL AND RESERVES			
Share capital	19	398,980	382,450
Share premium	19	20,663	—
Reserves		68,134	52,205
Total equity attributable to equity shareholders of the Company		487,777	434,655
Non-controlling interests		87,279	34,588
TOTAL EQUITY		575,056	469,243

Notes

1. Accounting policies

The annual results for the year ended 31 December 2017 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 2016, except for the accounting policy changes that are effective for the year ended 31 December 2017. Details of these changes in accounting policies are set out below.

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

- Amendments to HKAS 7, Statement of cash flows: Disclosure initiative
- Amendments to HKAS 12, Recognition of deferred tax assets for unrealised losses
- Amendments to HKFRS 12, Disclosure of interests in other entities

None of these development have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. However, additional disclosure in the financial statements has been included to satisfy the new disclosure requirements introduced by HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities, arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

2. Segment reporting

Included in reportable segment revenue are dividend and interest income amounting to HK$9.2 million (2016: HK$3.9 million). 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 2017 and 2016 are set out below:

	Investment Holding		Hospitality		Healthcare		Money Lending and Related Business		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	997	1,719	105,951	96,718	6,669	—	53,473	—	167,090	98,437
Interest income	2,218	2,126	296	91	—	—	5,676	—	8,190	2,217
Reportable segment revenue	3,215	3,845	106,247	96,809	6,669	—	59,149	—	175,280	100,654
Reportable segment profit/(loss)	(21,985)	(54,231)	(38,112)	3,488	1,850	—	59,149	—	902	(50,743)
Depreciation and amortisation	(309)	(48)	(6,305)	(6,745)	(5,158)	—	—	—	(11,772)	(6,793)
Impairment loss on goodwill	—	—	(1,710)	—	—	—	—	—	(1,710)	—
Impairment loss on available-for-sale financial assets	—	(14,832)	—	—	—	—	—	—	—	(14,832)
Impairment loss on investment in an associate	(1,792)	—	—	—	—	—	—	—	(1,792)	—
Net realised and unrealised valuation gain/(loss) on trading securities	25,457	(1,179)	—	—	—	—	—	—	25,457	(1,179)
Net realised and unrealised foreign exchange gain/(loss)	4,741	(14,623)	(16)	(78)	47	—	—	—	4,772	(14,701)
Plant and equipment written off	—	—	(1,356)	—	—	—	—	—	(1,356)	—
Additions to non-current assets	10	1,525	27,569	1,861	153,950	—	—	—	181,529	3,386
Reportable segment assets	225,155	329,167	116,811	198,466	258,226	—	116,040	—	716,232	527,633
Reportable segment liabilities	8,039	5,002	99,859	55,744	17,654	—	—	—	125,552	60,746

Reconciliation of reportable segmental assets and liabilities

	2017	2016
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	716,232	527,633
Current tax recoverable	2,884	2,536
Consolidated total assets	719,116	530,169
Liabilities		
Reportable segment liabilities	125,552	60,746
Provision for taxation	2,600	180
Deferred tax liabilities	15,908	—
Consolidated total liabilities	144,060	60,926

3. Revenue

	2017	2016
	HK$'000	*HK$'000*
Revenue from provision of hospitality related services	105,951	96,718
Revenue from provision of healthcare related services		
– Royalty fee	2,695	—
– Management fee	3,974	—
Revenue from money lending and related business activities		
– Referral fee	47,410	—
– Loan handling fee	6,063	—
– Interest income on third party loans	5,676	—
Dividend income	997	1,719
Interest income on bank deposits	2,514	2,217
	175,280	100,654

4. Other net gains/(losses)

	2017	2016
	HK$'000	*HK$'000*
Impairment loss on goodwill	(1,710)	—
Impairment loss on available-for-sale financial assets	—	(14,832)
Impairment loss on investment in an associate	(1,792)	—
Net realised and unrealised foreign exchange gain/(loss)	4,772	(14,701)
Net realised and unrealised valuation gain/(loss) on trading securities	25,457	(1,179)
Plant and equipment written off	(1,356)	—
Miscellaneous income	544	—
	25,915	(30,712)

5. Administrative expenses

Administrative expenses comprise mainly:

a. Expenses incurred by the Group's Hospitality segment which include expenses incurred by Sceptre Hospitality Resources, LLC and Sheraton Chapel Hill Hotel, North Carolina, U.S., a hotel jointly owned by a subsidiary of the Group.

b. Transaction costs relate to the acquisition of subsidiaries amounted to HK$3,940,000.

6. Finance costs

	2017	2016
	HK$'000	*HK$'000*
Amortisation of capitalised transaction costs	841	93
Interest expenses on borrowings	1,184	1,327
	2,025	1,420

7. Income tax expense

	2017	2016
	HK$'000	*HK$'000*
Current tax - Overseas		
Provision for the year	2,330	287
Under-provision in respect of prior years	—	80
	2,330	367
Deferred tax		
Origination and reversal of temporary differences	—	10,189
Income tax expense	2,330	10,556

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year ended 31 December 2017. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

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 2017, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK$101.5 million (2016: HK$73.3 million) 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 HK$10.7 million (2016: HK$Nil) have expiry dates between 1 to 5 years. Tax losses amounting to HK$88.5 million (2016: HK$60.1 million) have expiry dates of more than 5 years. The earliest expiry date is on 31 December 2022 and the latest expiry date is on 31 December 2037. The remaining tax losses amounting to HK$5.8 million (2016: HK$14.1 million) do not expire under the tax legislations of the respective jurisdiction.

8. Loss for the year

Loss for the year is arrived at after charging/(crediting):

	2017	**2016**
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	3,286	2,808
Amortisation of intangible assets	8,486	3,985
Operating lease charges — rental of properties	5,327	4,239
(Reversal)/Recognition of impairment loss on trade and other receivables	(178)	238

9. Earnings per share

a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on profit attributable to ordinary equity shareholders of the Company of HK$14.9 million (2016: loss of HK$57.6 million) and the weighted average number of ordinary shares of 387,959,524 (2016: 382,449,524) in issue during the year.

b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share are not applicable as there are no dilutive potential ordinary shares during the year.

10. Dividends

The Directors of the Company have resolved not to propose any final dividend for the year ended 31 December 2017 (2016: nil).

No interim dividend was paid for the year ended 31 December 2017 (2016: nil).

11. Intangible assets

	Trademarks	Franchise application	Technology	Customer relations	Customer contracts	Web development	Web development in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost								
At 1 January 2016	2,637	332	14,916	1,674	–	3,471	–	23,030
Additions	–	–	–	–	–	241	–	241
Exchange adjustments	1	1	12	2	–	2	–	18
At 31 December 2016	2,638	333	14,928	1,676	–	3,714	–	23,289
At 1 January 2017	2,638	333	14,928	1,676	–	3,714	–	23,289
Acquisition of subsidiaries	126,723	–	–	–	32,796	–	–	159,519
Additions	–	–	–	–	–	1,044	2,338	3,382
Exchange adjustments	(154)	3	116	12	(34)	33	6	(18)
At 31 December 2017	129,207	336	15,044	1,688	32,762	4,791	2,344	186,172
Accumulated amortisation and impairment losses								
At 1 January 2016	1,441	81	9,075	795	–	845	–	12,237
Charge for the year	107	17	2,371	209	–	1,281	–	3,985
Exchange adjustments	3	3	(3)	1	–	(1)	–	3
At 31 December 2016	1,551	101	11,443	1,005	–	2,125	–	16,225
At 1 January 2017	1,551	101	11,443	1,005	–	2,125	–	16,225
Charge for the year	4,317	16	919	210	1,949	1,075	–	8,486
Exchange adjustments	19	–	87	12	12	20	–	150
At 31 December 2017	5,887	117	12,449	1,227	1,961	3,220	–	24,861
Net book value								
At 1 January 2016	1,196	251	5,841	879	–	2,626	–	10,793
At 31 December 2016	1,087	232	3,485	671	–	1,589	–	7,064
At 31 December 2017	123,320	219	2,595	461	30,801	1,571	2,344	161,311

The amortisation charge for the Group's trademarks, technology, customer relations, customer contracts and web development and the Group's share of the joint operation's franchise application are included in "administrative expenses" in the consolidated statement of profit or loss.

12. Goodwill

	HK$'000
At 1 January 2016	8,934
Translation differences	7
As at 31 December 2016	8,941
Additions	87,599
Impairment	(1,710)
Translation differences	7
As at 31 December 2017	94,837

During the year, an impairment loss of HK$1.7 million was recognised for the goodwill relating to hotel operations of the Sheraton Chapel Hill Hotel.

13. Acquisition of Subsidiaries

During the year, the Group entered into the following acquisitions:

(a) PRIP Communications Limited ("PRIP") and its subsidiary

On 31 August 2017, the Group through acquisition and subscription, acquired 51% of the shares and voting interests in PRIP. Following the acquisition, the Group obtained control of PRIP, and its wholly-owned subsidiary, DIAM Holdings Co Ltd.

Taking control of PRIP will enable the Group to diversify its business and maximise returns to the shareholders. The investment demonstrates a strong alignment with the Group's interest and commitment in entering into high growth healthcare industries, being a new business segment to the Group, and the Group is expected to benefit from diversifying its revenue stream.

Fair value of the consideration based on a provisional basis and the amount of non-controlling interest in the acquiree

The following table summarises the acquisition date fair value of each major class of consideration based on provisional basis and the amount of non-controlling interest in the acquiree:

	HK$'000
Cash	118,446
Equity instruments issued (16,530,000 ordinary shares)	37,193
Dividend right forgone by non-controlling shareholders	(12,632)
Revenue and profit guarantee from non-controlling shareholders	(488)
Put and call option	16,787
Fair value of the consideration	159,306
Non-controlling interests	68,894
Total	228,200

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 August 2017 of HK$2.25 per share.

The fair values of the dividend right forgone by non-controlling shareholders of HK$12,632,000, and revenue and profit guarantee from non-controlling shareholders of HK$488,000 totalling HK$13,120,000 are classified as non-current other financial assets in the statement of financial position as at 31 December 2017.

The fair values of the put and call option of HK$16,787,000 is classified as non-current other financial liabilities in the statement of financial position as at 31 December 2017.

Acquisition-related costs

The Group incurred acquisition-related costs of HK$3,918,000 on legal fees and due diligence costs. These costs have been included in "administrative expenses".

Identifiable assets acquired and liabilities assumed based on a provisional basis

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition based on a provisional basis:

	HK$'000
Intangible assets – trademark	126,723
Intangible assets – management service contract	27,110
Property, plant and equipment	121
Trade and other receivables	2,272
Cash	684
Trade and other payables	(380)
Deferred tax liabilities	(15,929)
Total identifiable net assets acquired based on a provisional basis	140,601

Goodwill

Goodwill arising from the acquisition has been recognised as follows

	HK$'000
Total consideration transferred	159,306
Non-controlling shareholders, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	68,894
Fair value of identifiable net assets	(140,601)
Goodwill	87,599

(b) Cross-Tinental S. L. ("CTSL")

On 17 August 2017, the Group acquired 100% of the shares and voting interests in CTSL and obtained control of CTSL. CTSL is incorporated in Spain. The acquisition will enable the Group to expand its hotel reservation system business in the European market.

Fair value of the consideration based on a provisional basis

The following table summarises the acquisition-date fair value of each major class of consideration based on a provisional basis:

	HK$'000
Cash	4,581
Variable consideration – to be settled through cash	1,719
Total consideration transferred	6,300

The variable consideration is dependent on the level of revenues to be generated for the next 2 years from the date of acquisition from the existing customers at the date of acquisition. The variable consideration is payable at the end of 2 years from the date of acquisition. The fair value of the variable consideration of HK$1,719,000 is classified as deferred consideration in the statement of financial position as at 31 December 2017.

The Group has agreed to pay the vendor of CTSL additional consideration ("contingent consideration") if the identified existing contracts stated in the sale and purchase agreement are renewed or the identified new contracts stated in the sale and purchase agreement are obtained. The additional consideration is determined based on the agreed rate stated in the sale and purchase agreement. The Group has determined the fair value of contingent consideration to be nil as at 31 December 2017.

Acquisition-related costs

The Group incurred acquisition-related costs of HK$22,000 on legal fees and due diligence costs. These costs have been included in "administrative expenses".

Identifiable assets acquired and liabilities assumed based on a provisional basis

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition based on a provisional basis:

	HK$'000
Intangible assets – management contracts	5,686
Property, plant and equipment	12
Trade and other receivables	1,142
Cash	454
Trade and other payables	(994)
Total identifiable net assets	6,300

Goodwill

Goodwill arising from the acquisition is as follows

	HK$'000
Total consideration transferred	6,300
Fair value of identifiable net assets	(6,300)
Goodwill	—

14. Trade and other receivables

Included in trade and other receivables are third-party trade receivables (net of allowance for doubtful debts) with the following ageing analysis based on invoice date:

	2017	**2016**
	HK$'000	*HK$'000*
Less than 1 month	19,431	10,130
1 to 3 months	8,545	9,205
3 to 12 months	2,930	827
Total third-party trade receivables, net of impairment loss	30,906	20,162
Other receivables and deposits	8,801	3,230
Loans and receivables	39,707	23,392
Prepayments	31,529	6,462
	71,236	29,854
Non-current	28,567	—
Current	42,669	29,854
	71,236	29,854

(a) Trade receivables are due within 30 days from the date of invoice. Receivables with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers.

All trade and other receivables are expected to be recovered within one year.

(b) Other receivables and deposits consist mainly of rental deposits.

(c) Prepayments consist of professional fees of HK$27 million paid in advance to business consultants which provide advisory services of the Group.

15. Loan receivables

During the year, the Company granted two loans to third parties. One of the loans bears interest at rate of 12% per annum and is repayable within one year with personal guarantee in favour of the borrower. The remaining loan is unsecured and bears interest at rate of 10% per annum and is repayable within one year.

16. Trade and other payables

	2017	**2016**
	HK$'000	*HK$'000*
Trade payables	6,463	4,986
Other payables and accrued charges	22,582	16,490
	29,045	21,476
Deferred income	4,533	6,452
	33,578	27,928

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

	2017	**2016**
	HK$'000	*HK$'000*
Due within 1 month or on demand	13,950	16,438
Due 1 to 3 months	3,941	1,040
Due 3 to 12 months	11,154	3,998
	29,045	21,476

17. Interest-bearing borrowings

	2017	**2016**
	HK$'000	*HK$'000*
Term loan (secured)	29,868	29,701
Repayable:		
— Within 1 year	922	719
— After 1 year but within 2 years	951	785
— After 2 years but within 5 years	3,133	2,609
— After 5 years	24,862	25,588
	28,946	28,982
	29,868	29,701

The Group's term loan is secured by:

- a first priority mortgage of Sheraton Chapel Hill Hotel, its improvements, equipment and fixtures with a carrying amount of HK$36.2 million (2016: HK$36.6 million) as at 31 December 2017;
- assignments of all rights and benefits to sale, lease, agreements, trademarks and insurance proceeds in respect of Sheraton Chapel Hill Hotel;
- pledge of monies held in specific bank accounts of HK$2.6 million (2016: HK$2.2 million) as at 31 December 2017; and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Covenant

The Group's banking facilities are subjected to the fulfillment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2017, none of the covenants relating to the drawn down facilities had been breached.

Non-recourse Carveout Guarantees

As at the end of reporting period, RHI and SWAN USA, Inc (the "Guarantors"), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group's joint operation, joint venture and associate, as set out below:

- RHI is a guarantor of indebtedness of the term loan entered into by SWAN Carolina Investor, LLC and SFI Carolina TIC SPE, LLC for Sheraton Chapel Hill Hotel. The term guarantee expires on 6 May 2023.
- RHI and SWAN USA, Inc are guarantors of indebtedness of the term loans entered into by RBH Mezz, LLC and Rich Burlington Hotel, LLC, which are underlying investments of S-R Burlington Partners, LLC. The term loan has been refinanced and has an extended expiry date of 9 December 2020.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered by the Guarantors provide the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages. The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees is HK$165.6 million as at 31 December 2017 (2016: HK$167.7 million).

The management is of the view that the possibility of violating the above covenants and triggering any cash outflow within the scope of the above guarantees is remote. In addition, the above indebtedness are non-recourse in nature and the carrying amount of the individual collateral is in excess of the respective outstanding loan amount.

18. Deferred tax liabilities

The deferred tax liabilities of HK$15,908,000 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 and its subsidiary.

19. Share capital

During the year, the Company has issued 16,530,000 ordinary shares at HK$3.06 per share as part of the purchase consideration for the acquisition PRIP and its subsidiary (See Note 13). The difference between the par value and the fair value of the issued shares is classified as share premium. The following table sets out the changes in equity as a result of the share issuance:

	Share capital	**Share premium**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
The Company			
Balance at 1 January 2016, 31 December 2016 and 1 January 2017	382,450	–	382,450
Issue of ordinary shares related to business combination	16,530	20,663	37,193
Balance at 31 December 2017	398,980	20,663	419,643

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

20. Non-adjusting event after the reporting period

On 16 January 2018, the Company entered into a facility agreement with Shining Treasure Limited (the "Borrower") and Ms. Cao Qin (the "Guarantor"), pursuant to which the Company agreed to grant and the Borrower agreed to borrow an aggregate amount of RMB50,000,000 at an interest rate of 12% per annum for a term of 12 months (the "Facility"). The Facility has been drawn down by the Borrower on the same day.

21. Comparative information

During 2017, the Group decided to reclassify web development costs with net book value of HK$1.6 million from property, plant and equipment to intangible assets to better reflect the nature of the asset. Comparative amounts in the consolidated statement of financial position were restated for consistency.

Since the amounts are reclassification within the statement of financial position, this reclassification did not have any effect on the consolidated statements of profit or loss and other comprehensive income and consolidated statement of cash flows.

Statement of financial position	As previously reported HK$'000	Reclassification HK$'000	As restated 2016 HK$'000
Property, plant and equipment	42,647	(1,589)	41,058
Intangible assets	5,475	1,589	7,064

22. Scope of work of Auditors

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017, as set out in the preliminary announcement have been compared by the Group's auditors, KPMG LLP, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by the auditors.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded an overall loss of approximately HK$1.4 million for FY2017 as compared with an overall loss of approximately HK$61.2 million for the year ended 31 December 2016. The reduction in net loss was due mainly to the revenue earned from the Group's newly set up Money Lending and Related Business segment and the net realised and unrealised foreign exchange gain, and valuation gain on trading securities for FY2017. The Group recorded a net profit attributable to the equity shareholders of the Company of approximately HK$14.9 million for FY2017 as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$57.6 million in the previous corresponding year.

Investment Holding segment

The Group's Investment Holding segment recorded net realised and unrealised valuation gain of approximately HK$25.5 million from the Group's trading securities for FY2017. Net realised and unrealised foreign exchange gain of approximately HK$4.7 million was also recorded, which mainly arose from the Renminbi denominated cash deposits of the Company. Overall, total net realised and unrealised gain of approximately HK$30.2 million was recorded for FY2017 as compared with the total net realised and unrealised loss of approximately HK$15.8 million in the previous corresponding year. The total net realized and unrealized gain was partially offset by the higher administrative expenses mainly arise from the increase in Director fee of approximately HK$14.5 million and professional fee of approximately HK$10.8 million compared with previous corresponding period. Consequently, the Group's Investment Holding segment reported a loss before tax of approximately HK$22.0 million for FY2017 as compared with a loss before tax of approximately HK$54.2 million in the previous corresponding year.

Hospitality segment

On the Group's Hospitality segment, the Group's U.S. hotel management arm, Richfield Hospitality, lnc. recorded higher management fee income of approximately HK$10.6 million for FY2017, up by approximately HK$0.1 million from approximately HK$10.5 million in the previous corresponding year. The increase in revenue with lower administrative expenses which resulted in a loss before tax of approximately HK$9.4 million for FY2017 as compared with a loss before tax of approximately HK$12.2 million in the previous corresponding year.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of approximately HK$22.0 million as compared with approximately HK$24.4 million from the previous corresponding year. The Hotel recorded a loss before tax of approximately HK$2.5 million for FY2017 as compared with a profit contribution of approximately HK$2.0 million in the previous corresponding year.

The Group's 51% equity interest in Sceptre Hospitality Resources, LLC together with its subsidiaries, Sceptre Hospitality Resources Pte Ltd, Sceptre Hospitality Resources Europe S.L. and Cross-Tinental S.L. ("SHR Group"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded higher revenue of HK$73.3 million, up by approximately HK$11.5 million or 18.6% from approximately HK$61.8 million in the previous corresponding year. However, SHR Group incurred higher administrative expenses during FY2017 to support the revenue growth, resulting in an operating loss of approximately HK$26.5 million as compared with an operating loss of approximately HK$6.4 million in the previous corresponding year.

The Group also recognised share of profit from its associates, S-R Burlington Partners, LLC. and Cosmic Hospitality China Limited, of approximately HK$0.3 million for FY2017, as compared to a share of profit of HK$0.5 million previous corresponding year. Cosmic Hospitality China Limited was disposed in September 2017 with consideration of HK$2.3 million.

Consequently, the Group's Hospitality segment reported a loss before tax of approximately HK$38.1 million for FY2017 as compared with a profit before tax of approximately HK$3.5 million in the previous corresponding year. The profit before tax in the previous corresponding year was mainly resulted from the disposal of Crowne Plaza Syracuse Hotel, New York, U.S. in May 2016 which contributed an additional share of profit before tax of HK$19.6 million.

Healthcare segment

On 31 August 2017, the Group effectively obtained approximately 51% of the enlarged issued share capital of PRIP Communications Limited ("PRIP") and obtained control of PRIP and its wholly-owned subsidiary DIAM Holdings Co., Ltd. ("DIAM"). PRIP and DIAM forms the Group's new Healthcare segment. For the four months ended 31 December 2017, PRIP contributed royalty income of approximately HK$2.7 million, and DIAM contributed service income of approximately HK$4.0 million.

Money Lending and Related Business segment

On the Group's newly setup Money Lending and Related Business segment, the Company contributed referral fee of HK$47.4 million, handling income of HK$6.1 million and interest income from third parties loans of HK$5.7 million for FY2017. No such income arose in the previous corresponding year.

Others

As at 31 December 2016, the Group assessed the availability of future taxable profit against which the tax losses can be utilised and recognised a reduction of the deferred tax assets by HK$10.2 million for the year ended 31 December 2016. There was no such adjustment in FY2017. This resulted in an income tax expense of HK$2.3 million in FY2017, as compared to an income tax expense of HK$10.6 million the previous corresponding year.

Basic earnings per share for FY2017 was HK3.83 cents, calculated on the weighted average number of ordinary shares of the Company in issue during the year of 387,959,524. The Group's net tangible assets per share decreased to HK$0.58 as at 31 December 2017, down from HK$1.10 at 31 December 2016. The board did not propose a final dividend for FY2017.

PROSPECTS

The Group remains cautious in the midst of the global uncertainty, though real estate and hospitality markets in the U.S. have remained active. The Group is in consultation with its joint venture partners to respond to market interests in our investments.

The Group will adopt a prudent approach in managing the hospitality related businesses by ensuring costs are kept in line with the level of business activities in order to reduce loss in the segment.

Besides the hospitality segment, the Group is exploring healthcare sector. China's plastic surgery industry is on a fast growth track. According to Zhongshang Industry Research Institute, the medical aesthetic industry in China had a turnover amounted to RMB51.1 billion in 2015 and maintained an annual growth rate over 20% in the past 4 years. With the further improvement of living standards and higher acceptance of medical beauty in general public, the medical aesthetic market in China will further expanded in the future. According to Changjiang Securities' research report, it is expected that the market size of the medical aesthetic industry in China will be amounted to RMB252.4 billion by 2025, which is nearly 5 times of the current market size and represents an enormous room for growth.

In order to diversify the business of the Group and maximise returns to the shareholders, the Group has been actively seeking various investment opportunities in high-growth healthcare-related industries, including but not limited to the plastic surgery and assisted reproductive IVF services in China and other Asia markets.

In addition, the Group commenced a new business segment during the year by entering into money lending and related businesses which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation (the "New Business Activities") but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Group intends to develop the New Business Activities by leveraging and making good use of the resource and network of the two executive Directors in banking and finance industries. The Group is in the process of applying for the money lending licence.

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 FY2017 have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout FY2017.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the Company's code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code throughout FY2017.

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 FY2017.

By Order of the Board
China Tian Yuan Healthcare Group Limited
Jiang Yulin
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprised five directors of which Mr. Jiang Yulin and Ms. Zhang Xian are the executive directors; and Mr. Hu Baihe , Mr. Yuen Kwok Kuen and Mr. Guo Jingbin are the independent non-executive directors.