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TIAN YUAN HEALTHCARE
天 元 医 疗

CHINA TIAN YUAN HEALTHCARE GROUP LIMITED
中國天元醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 557)

2018 FINAL RESULTS — ANNOUNCEMENT
CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

The directors (the "Directors") of China Tian Yuan Healthcare Group 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 2018 ("FY2018") together with comparative figures.

Consolidated Statement of Profit or Loss
for the year ended 31 December 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
Revenue	3	171,556	175,280
Cost of sales		(22,032)	(23,228)
Gross profit		149,524	152,052
Other net gains	4	7,027	25,915
Administrative expenses	5	(192,594)	(175,344)
(Loss)/Profit from operating activities		(36,043)	2,623
Finance costs	6	(1,283)	(2,025)
Share of loss of a joint venture		–	(8)
Share of (losses)/profits of associates		(2,346)	312
(Loss)/Profit before taxation		(39,672)	902
Income tax expense	7	(375)	(2,330)
Loss for the year	8	(40,047)	(1,428)
Attributable to:			
Equity shareholders of the Company		(27,622)	14,877
Non-controlling interests		(12,425)	(16,305)
Loss for the year		(40,047)	(1,428)
Earnings per share		*HK cents*	*HK cents*
Basic (loss)/earnings per share	9	(6.92)	3.83
Diluted (loss)/earnings per share	9	(6.92)	3.83

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
Loss for the year	(40,047)	(1,428)
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	42	1,411
Exchange differences on monetary item forming net investment in a foreign operation	(63)	(257)
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss of financial assets at fair value through other comprehensive income, net of tax	(3,027)	—
Total other comprehensive income for the year	(3,048)	1,154
Total comprehensive income for the year	(43,095)	(274)
Attributable to:		
Equity shareholders of the Company	(30,858)	15,929
Non-controlling interests	(12,237)	(16,203)
Total comprehensive income for the year	(43,095)	(274)

Consolidated Statement of Financial Position
as at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		53,845	55,383
Intangible assets	11	142,653	161,311
Goodwill	12	95,016	94,837
Available-for-sale financial assets	13	—	18,321
Financial assets at fair value through other comprehensive income	13	538	—
Interests in associates		8,367	6,682
Trade and other receivables	14	23,779	28,567
Other financial assets	15	—	13,120
Total non-current assets		324,198	378,221
Current assets			
Trading securities		16,730	47,077
Trade and other receivables	14	70,001	42,669
Other financial assets	15	7,813	—
Loan receivables	16	171,699	113,408
Current tax recoverable		485	2,884
Cash and cash equivalents		114,346	134,857
		381,074	340,895
Current liabilities			
Trade and other payables	17	(35,312)	(33,578)
Interest-bearing borrowings	18	(960)	(922)
Deferred consideration		(1,728)	—
Loans from non-controlling interests	19	(21,961)	—
Provision for taxation		(2,995)	(2,600)
		(62,956)	(37,100)
Net current assets		318,118	303,795
Total assets less current liabilities		642,316	682,016

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred rental expense		(1,897)	(586)
Deferred consideration		—	(1,719)
Deferred tax liabilities	20	(15,938)	(15,908)
Dividends received in excess of earnings from equity-method accounted joint venture		(227)	(227)
Interest-bearing borrowings	18	(28,041)	(28,946)
Loan from non-controlling interests	19	(11,940)	(42,787)
Other financial liabilities	21	(8,272)	(16,787)
		(66,315)	(106,960)
NET ASSETS		576,001	575,056
CAPITAL AND RESERVES			
Share capital	22	398,980	398,980
Share premium	22	20,663	20,663
Reserves		66,305	68,134
Total equity attributable to equity shareholders of the Company		485,948	487,777
Non-controlling interests		90,053	87,279
TOTAL EQUITY		576,001	575,056

Notes

1. Accounting policies

The annual results for the year ended 31 December 2018 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 2017, except for the accounting policy changes that are effective for the year ended 31 December 2018. 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:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK (IFRIC) 22, Foreign currency transactions and advance consideration

HKFRS 9, Financial instruments

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

(a) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). These supersede HKAS 39's categories of held-to-maturities investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI (non-recycling) then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group's financial assets that were measured at amortised cost and FVTPL continue with their respective classification and measurements with the adoption of HKFRS 9.

With respect to the Group's investment in unlisted non-equity investment that were classified as "available-for-sale", these are investments in unlisted private equity fund which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group had elected this designation option for these investments held on 1 January 2018 and has recognised fair value changes in respect of these investments in other comprehensive income as they arise. This gave rise to a change in accounting policy as the Group measure the available-for-sale investment at cost less accumulated impairment losses previously.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amount of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Adjustments/ reclassification due to adoption of HKFRS 9**	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale financial assets	18,321	(18,321)	—
Financial assets at FVTOCI	—	47,350	47,350
Fair value reserve	—	29,029	29,029

Upon the initial adoption of HKFRS 9, adjustment of HK$29 million related to the remeasurement of financial assets at fair value through other comprehensive income has been recognised in fair value reserve (non-recycling) at 1 January 2018.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement does not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The adoption of the new impairment requirements did not result in any differences between the accumulated impairment loss at that date as compared with that recognised under HKAS 39.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaced the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction Contracts, which specifies the accounting for revenue from construction contracts.

The adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

2. Segment reporting

Included in reportable segment revenue are dividend and interest income amounting to HK$26.4 million (2017: HK$9.2 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 2018 and 2017 are set out below:

	Investment Holding		Hospitality		Healthcare		Money Lending and Related Business		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	218	997	115,538	105,951	26,552	6,669	3,050	53,473	145,358	167,090
Interest income	714	2,218	—	296	—	—	25,484	5,676	26,198	8,190
Reportable segment revenue	932	3,215	115,538	106,247	26,552	6,669	28,534	59,149	171,556	175,280
Reportable segment (loss)/profit	(36,837)	(21,985)	(35,786)	(38,112)	4,417	1,850	28,534	59,149	(39,672)	902
Depreciation and amortisation	(311)	(309)	(8,314)	(6,305)	(15,423)	(5,158)	—	—	(24,048)	(11,772)
Impairment loss on goodwill	—	—	—	(1,710)	—	—	—	—	—	(1,710)
Impairment loss on investment in an associate	—	(1,792)	—	—	—	—	—	—	—	(1,792)
Net realised and unrealised valuation (loss) /gain on trading securities	(936)	25,457	—	—	—	—	—	—	(936)	25,457
Net realised and unrealised foreign exchange gain/(loss)	20	4,741	(63)	(16)	180	47	—	—	137	4,772
Net gain on other financial assets/liabilities	7,804	—	—	—	—	—	—	—	7,804	—
Plant and equipment written off	—	—	—	(1,356)	—	—	—	—	—	(1,356)
Additions to non-current assets	9	10	4,700	27,569	—	153,950	—	—	4,709	181,529
Reportable segment assets	192,543	225,155	100,851	116,811	239,694	258,226	171,699	116,040	704,787	716,232
Reportable segment liabilities	13,830	8,039	96,062	99,859	446	17,654	—	—	110,338	125,552

Reconciliation of reportable segmental assets and liabilities

	2018	**2017**
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	704,787	716,232
Current tax recoverable	485	2,884
Consolidated total assets	705,272	719,116
Liabilities		
Reportable segment liabilities	110,338	125,552
Provision for taxation	2,995	2,600
Deferred tax liabilities	15,938	15,908
Consolidated total liabilities	129,271	144,060

3. Revenue

	2018	2017
	HK$'000	*HK$'000*
Revenue from provision of hospitality related services	115,538	105,951
Revenue from provision of healthcare related services		
– Royalty fee	8,142	2,695
– Management fee	18,410	3,974
Revenue from money lending and related business activities		
– Referral fee	—	47,410
– Loan handling fee	3,050	6,063
– Interest income on third parties loans	25,484	5,676
Dividend income	218	997
Interest income on bank deposits	714	2,514
	171,556	175,280

4. Other net gains

	2018	2017
	HK$'000	*HK$'000*
Impairment loss on goodwill	—	(1,710)
Impairment loss on investment in an associate	—	(1,792)
Net realised and unrealised foreign exchange gain	137	4,772
Net realised and unrealised valuation (loss)/gain on trading securities	(936)	25,457
Net gain on other financial assets/liabilities	7,804	—
Plant and equipment written off	—	(1,356)
Miscellaneous income	22	544
	7,027	25,915

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. Expenses incurred by the Group's Investment Holding Segment including directors' remunerations and professional fees.

6. Finance costs

	2018	2017
	HK$'000	*HK$'000*
Amortisation of capitalised transaction costs	—	841
Interest expenses on borrowings	1,283	1,184
	1,283	2,025

7. Income tax expense

	2018	2017
	HK$'000	*HK$'000*
Current tax - Overseas		
Provision for the year	375	2,330
Income tax expense	375	2,330

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year ended 31 December 2018. 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 2018, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK$169.8 million (2017: HK$101.5 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$12.6 million (2017: HK$10.7 million) have expiry dates between 1 to 5 years. Tax losses amounting to HK$86.7 million (2017: HK$88.5 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$73.6 million (2017: HK$5.8 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):

	2018	2017
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	4,003	3,286
Amortisation of intangible assets	20,045	8,486
Operating lease charges — rental of properties	9,021	5,327
Reversal of impairment loss on trade and other receivables	—	(178)

9. Earnings per share

a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on loss attributable to ordinary equity shareholders of the Company of HK$27.6 million (2017: profit attributable to ordinary equity shareholders of the Company of HK$14.9 million) and the weighted average number of ordinary shares of 398,979,524 (2017: 387,959,524) in issue during the year.

b) Diluted (loss)/earnings per share

Diluted (loss)/earnings 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 2018 (2017: nil).

No interim dividend was paid for the year ended 31 December 2018 (2017: 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 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
At 1 January 2018	129,207	336	15,044	1,688	32,762	4,791	2,344	186,172
Reclassification	–	–	–	–	–	2,284	(2,284)	–
Additions	–	78	–	–	–	1,228	571	1,877
Exchange adjustments	244	1	28	3	(108)	12	3	183
At 31 December 2018	129,451	415	15,072	1,691	32,654	8,315	634	188,232
Accumulated amortisation and impairment losses								
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
At 1 January 2018	5,887	117	12,449	1,227	1,961	3,220	–	24,861
Charge for the year	12,771	16	626	211	4,575	1,846	–	20,045
Exchange adjustments	24	–	25	3	612	9	–	673
At 31 December 2018	18,682	133	13,100	1,441	7,148	5,075	–	45,579
Net book value								
At 1 January 2017	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
At 31 December 2018	110,769	282	1,972	250	25,506	3,240	634	142,653

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 2017	8,941
Acquisitions through business combinations	87,599
Impairment	(1,710)
Translation differences	7
As at 31 December 2017	94,837
Translation differences	179
As at 31 December 2018	95,016

13. Available-for-sale financial assets/Financial assets at fair value through other comprehensive income

The investment under a closed-ended unlisted private equity fund, named as BEA Blue Sky Real Estate Fund LP, was reclassified from available-for-sale financial assets to non-equity investment designated at FVTOCI (non-recycling) on adoption of HKFRS 9 at 1 January 2018. This give rise to a change in accounting policy as previously the Group measured the available-for-sale investment at cost less impairment and the difference between the fair value and the previous carrying amount of HK$29 million was recorded as an adjustment at 1 January 2018.

In May 2018 and October 2018, the Group received two distributions of return of capital totalling US$5.6 million (equivalent to HK$43.8 million).

As at 31 December 2018, the Group recorded a fair value loss of approximately HK$3.0 million in other comprehensive income.

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:

	2018	2017
	HK$'000	*HK$'000*
Less than 1 month	15,690	19,431
1 to 3 months	13,246	8,545
More than 3 months	14,738	2,930
Total third-party trade receivables, net of impairment loss	43,674	30,906
Amount due from an associate	1,254	–
Other receivables and deposits	20,117	8,801
Prepayments	28,735	31,529
	93,780	71,236
Non-current	23,779	28,567
Current	70,001	42,669
	93,780	71,236

(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 and other receivables from third parties.

(c) Prepayments mainly consist of professional fees of HK$24.9 million (2017: HK$27.9 million) paid in advance to business consultants who provide advisory services on the businesses of the Group.

15. Other financial assets

The other financial assets relate to the dividend forgone by non-controlling shareholders of HK$7,813,000 (2017: HK$12,632,000) and revenue and profit guarantee from non-controlling shareholders of HK$nil (2017: HK$488,000). These other financial assets are measured at fair value.

16. Loan receivables

The Group granted three loans to third parties. Two of the loans bear interest at rate of 12% (2017: 12%) per annum and are repayable within one year in which one of the loans is secured by the pledge of properties owned by two individuals who have also extended personal guarantee in favour of the borrower and other loan is secured by personal guarantee in favour of the borrower. The remaining loan is unsecured and bears interest at rate of 10% (2017: 10%) per annum and is repayable within one year.

17. Trade and other payables

	2018	2017
	HK$'000	*HK$'000*
Trade payables	9,576	6,463
Other payables and accrued charges	20,733	22,582
	30,309	29,045
Deferred income	5,003	4,533
	35,312	33,578

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

	2018	2017
	HK$'000	*HK$'000*
Due within 1 month or on demand	12,830	13,950
Due 1 to 3 months	4,519	3,941
Due 3 to 12 months	12,960	11,154
	30,309	29,045

18. Interest-bearing borrowings

	2018	2017
	HK$'000	*HK$'000*
Term loan (secured)	29,001	29,868
Repayable:		
— Within 1 year	960	922
— After 1 year but within 2 years	995	951
— After 2 years but within 5 years	27,046	3,133
— After 5 years	—	24,862
	28,041	28,946
	29,001	29,868

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$35.6 million (2017: HK$36.2 million) as at 31 December 2018;
- 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$3.1 million (2017: HK$2.6 million) as at 31 December 2018; 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 2018, there was no breach of covenants that are significant to the Group's operations and that will result in the lenders demanding for the immediate repayment of the term loan.

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$182.5 million as at 31 December 2018 (2017: HK$165.6 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.

19. Loan from non-controlling interests

The loan from non-controlling interests is unsecured and interest-free. The loan is due for repayment over the period from February 2019 to February 2021.

20. Deferred tax liabilities

The deferred tax liabilities of HK$15,938,000 (2017: 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 Communications Limited and its subsidiary.

21. 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 minority shareholders. The other financial liabilities are measured at fair value.

22. Share capital

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

23. 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 2018, 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 LLP 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 a net loss of approximately HK$40.0 million for FY2018 as compared with a net loss of approximately HK$1.4 million for the year ended 31 December 2017. The higher net loss was mainly attributable to lower revenue earned from the Group's newly set up Money Lending and Related Business segment and net unrealised valuation loss on trading securities for FY2018. The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$27.6 million for FY2018 as compared with a net profit attributable to the equity shareholders of the Company of approximately HK$14.9 million in the previous corresponding year.

Investment Holding segment

The Group's Investment Holding segment recorded net gain on fair value of other financial assets/liabilities and deferred consideration of approximately HK$7.8 million, which is partially affected by the net realised and unrealised valuation loss on trading securities of approximately HK$0.9 million. Overall, total net realised and unrealised gain of approximately HK$6.9 million was recorded for FY2018 as compared with the total net realised and unrealised gain of approximately HK$30.2 million in the previous corresponding year. Consequently, the Group's Investment Holding segment reported a loss before tax of approximately HK$36.8 million for FY2018 as compared with a loss before tax of approximately HK$22.0 million in the previous corresponding year.

Hospitality segment

On the Group's Hospitality segment, the Group's U.S. hotel management arm, Richfield Hospitality, Inc. recorded lower management fee income of approximately HK$4.4 million for FY2018, down by approximately HK$6.2 million from approximately HK$10.6 million in the previous corresponding year. The decrease in revenue with lower administrative expenses which resulted in a loss before tax of approximately HK$9.8 million for FY2018 as compared with a loss before tax of approximately HK$9.4 million in the previous corresponding year.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of approximately HK$20.8 million as compared with approximately HK$22.0 million from the previous corresponding year. The Hotel recorded a loss before tax of approximately HK$2.2 million for FY2018 as compared with a loss before tax of approximately HK$2.5 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. (collectively, the "SHR Group"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded higher revenue of HK$90.4 million, up by approximately HK$17.1 million or 23.5% from approximately HK$73.3 million in the previous corresponding year. SHR Group incurred lower administrative expenses during FY2018, resulting in an operating loss of approximately HK$21.5 million as compared with an operating loss of approximately HK$26.5 million in the previous corresponding year.

The Group also recognised share of losses from its associates, S-R Burlington Partners, LLC. of approximately HK$2.3 million for FY2018, as compared to a share of profit of HK$0.3 million in the previous corresponding year.

Consequently, the Group's Hospitality segment reported a loss before tax of approximately HK$35.8 million for FY2018 as compared with a loss before tax of approximately HK$38.1 million in the previous corresponding year.

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. PRIP contributed royalty income of approximately HK$8.1 million for FY2018 as compared with royalty income of approximately HK$2.7 million in the previous corresponding year, and PRIP and DIAM contributed service income of approximately HK$18.4 million for FY2018 as compared with service income of approximately HK$4.0 million in the previous corresponding year.

Money Lending and Related Business segment

Regarding the Group's newly set up 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$25.5 million for FY2018, as compared with handling income of HK$6.1 million and interest income from third parties loans of HK$5.7 million in the previous corresponding year. There was referral fee income of HK$47.4 million for FY2017 while no such income arose in FY2018.

Others

Basic loss per share for FY2018 was HK$6.92 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$0.62 as at 31 December 2018, increased from HK$0.58 at 31 December 2017. The board did not propose a final dividend for FY2018.

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 has been continuously exploring healthcare and plastic surgery sector in China.

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. On 16 May 2018, Tianyuan IVF Medical Investment Limited ("Tianyuan IVF"), a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Omega Consultant Co., Ltd.* (บริษัท โอเมก้า คอนซัลเทนท์ จำกัด) ("Omega") and Sukhaphapdee Aryuyeun Karnphat Co., Ltd.* (บริษัท สุขภาพดี-อายุยืนการแพทย์ จำกัด) ("Sukhaphapdee") pursuant to which Tianyuan IVF, Omega and Sukhaphapdee agreed to set up a joint venture company (the "Joint Venture") in Thailand which will engage in the business of developing, operating and investing in the In-Vitro Fertilization and other auxiliary services.

In addition, the Group commenced a new business segment since second half of 2017 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.

In July 2018, Delightful Aesthetics Investment Limited, a wholly-owned subsidiary of the Company was granted a money lending licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong).

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 FY2018 have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout FY2018.

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 FY2018.

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 FY2018.

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

Hong Kong, 28 March 2019

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.

* *for identification purposes only*