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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)

**2019 INTERIM RESULTS — ANNOUNCEMENT
UNAUDITED CONSOLIDATED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Tian Yuan Healthcare Group Limited (the “Company”) announces the following unaudited consolidated results of the Company, its subsidiaries, joint arrangements and associates (the “Group”) for the six months ended 30 June 2019 (the “Period”) together with comparative figures.

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2019 - unaudited

		Six months ended	
		30 June	
		2019	2018
		<i>HK\$' 000</i>	<i>HK\$' 000</i>
		<i>(restated)</i>	
Note			
	Continuing operations		
	Revenue	27,692	23,909
	Cost of sales	—	—
	Gross profit	27,692	23,909
3	Other net (loss)/gain	(1,001)	17,829
4	Administrative expenses	(34,565)	(40,317)
	(Loss)/profit from operating activities	(7,874)	1,421
5	Finance costs	(64)	—
	Share of losses of associates	(875)	(1,448)
	Loss before taxation	(8,813)	(27)
6	Income tax expense	—	—
8	Loss for the period from continuing operations	(8,813)	(27)
	Discontinued operations		
7	Loss for the period from discontinued operations	(6,713)	(19,372)
	Loss for the period	<u>(15,526)</u>	<u>(19,399)</u>
	Attributable to:		
	Equity shareholders of the Company		
	– from continuing operations	(7,426)	1,376
	– from discontinued operations	(5,854)	(11,838)
		<u>(13,280)</u>	<u>(10,462)</u>
	Non-controlling interests		
	– from continuing operations	(1,387)	(1,403)
	– from discontinued operations	(859)	(7,534)
		<u>(2,246)</u>	<u>(8,937)</u>
	Loss for the period	<u>(15,526)</u>	<u>(19,399)</u>
	Earnings per share	<i>HK cents</i>	<i>HK cents</i>
9	Basic (loss)/profit per share		
	– for the period	<u>(3.33)</u>	<u>(2.62)</u>
	– from continuing operations	<u>(1.86)</u>	<u>0.34</u>
9	Diluted (loss)/profit per share		
	– for the period	<u>(3.33)</u>	<u>(2.62)</u>
	– from continuing operations	<u>(1.86)</u>	<u>0.34</u>

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019 - unaudited**

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(15,526)	(19,399)
Other comprehensive income for the period (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	16	1,333
Exchange differences on monetary items forming net investment in a foreign operation	23	134
	<u>39</u>	<u>1,467</u>
Items that will not be reclassified subsequently to profit or loss:		
Reclassified available-for-sale financial assets measured at cost less accumulated impairment losses to financial assets at fair value through other comprehensive income (non-recycling) upon the adoption of HKFRS 9	—	29,057
Financial assets at fair value through other comprehensive income—net movement in fair value reserves (non-recycling)	—	(4,030)
	<u>—</u>	<u>25,027</u>
Total other comprehensive income for the period	<u>39</u>	<u>26,494</u>
Total comprehensive income for the period	<u>(15,487)</u>	<u>7,095</u>
Attributable to:		
Equity shareholders of the Company	(13,417)	15,660
Non-controlling interests	(2,070)	(8,565)
Total comprehensive income for the period	<u>(15,487)</u>	<u>7,095</u>

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

**Consolidated Statement of Financial Position
as at 30 June 2019 - unaudited**

	Note	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Non-current assets			
Property, plant and equipment		1,396	53,845
Intangible assets		125,680	142,653
Goodwill		87,659	95,016
Right-of-use assets		2,423	–
Interest in associates		10,879	8,367
Trade and other receivables	12	22,045	23,779
Other financial assets		–	538
Total non-current assets		250,082	324,198
Current assets			
Other financial assets	11	4,827	7,813
Trading securities		18,695	16,730
Trade and other receivables	12	62,622	70,001
Loan receivables	13	255,883	171,699
Current tax recoverable		–	485
Cash and cash equivalents		6,508	114,346
		<u>348,535</u>	<u>381,074</u>
Assets held for sale	7	104,410	–
Assets held for distribution	7	3,111	–
		<u>456,056</u>	<u>381,074</u>
Current liabilities			
Trade and other payables	14	(9,293)	(35,312)
Lease liabilities		(2,448)	–
Deferred consideration		–	(1,728)
Interest-bearing borrowings	15	–	(960)
Loans from non-controlling interests	16	–	(21,961)
Provision for taxation		(2,901)	(2,995)
		<u>(14,642)</u>	<u>(62,956)</u>
Liabilities directly associated with the assets held for sale	7	(104,957)	–
Liabilities directly associated with the assets held for distribution	7	(1,741)	–
		<u>(121,340)</u>	<u>(62,956)</u>
Net current assets		334,716	318,118
Total assets less current liabilities		584,798	642,316

		As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
	Note		
Non-current liabilities			
Deferred rental expense		–	(1,897)
Deferred tax liabilities		(15,931)	(15,938)
Dividends received in excess of earnings from equity-method accounted joint venture		(227)	(227)
Interest-bearing borrowings	15	–	(28,041)
Loans from non-controlling interests	16	–	(11,940)
Other financial liabilities	17	(11,096)	(8,272)
		(27,254)	(66,315)
NET ASSETS		557,544	576,001
CAPITAL AND RESERVES			
Share capital		398,980	398,980
Share premium		20,663	20,663
Reserves		52,888	66,305
Total equity attributable to equity shareholders of the Company		472,531	485,948
Non-controlling interests		85,013	90,053
TOTAL EQUITY		557,544	576,001

Notes:-

1. Accounting policies

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2019 but are extracted from that report.

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial results for the six months ended 30 June 2019 are unaudited, but have been reviewed by the Company's Audit Committee.

The unaudited interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2018. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2018 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The interim financial report for the six months ended 30 June 2019 has been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the annual report for the year ended 31 December 2018, except for the amendments to HKFRSs that are expected to be effective for the financial year ending 31 December 2019. Details of these changes in accounting policies are set out below.

The HKICPA has issued a number of amendments to HKFRSs and Hong Kong Accounting Standards ("HKAS") 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.

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 Group elected to present the right-of-use assets separately in the statement of financial position.

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

	Increase/ (decrease) <i>HK\$'000</i> <i>(Unaudited)</i>
Assets	
Increase in right-of-use assets	3,461
Liabilities	
Increase in lease liabilities	3,461

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	Increase/ (decrease) HK\$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	38,467
Less: Operating lease commitments under hospitality segment (discontinued operations)	(34,917)
	<u>3,550</u>
Discounted using the incremental borrowing rate 4.21% at 1 January 2019	<u><u>3,461</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual 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 interim consolidated statement of financial position and profit or loss

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

	Right-of-use assets HK\$'000 (Unaudited)	Lease liabilities HK\$'000 (Unaudited)
As at 1 January 2019	3,461	3,461
Depreciation expense	(1,038)	—
Interest expense	—	64
Payments	—	(1,077)
	<u>—</u>	<u>—</u>
As at 30 June 2019	<u><u>2,423</u></u>	<u><u>2,448</u></u>

2. Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following three 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:

	Continuing operations							
	Investment Holding		Healthcare		Money Lending and Related Business		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
For the six months ended 30 June:								
Disaggregated by timing of revenue recognition								
Point of time	—	218	8,240	9,109	3,061	—	11,301	9,327
Over time	—	—	4,062	4,077	—	—	4,062	4,077
Revenue from external customers	—	218	12,302	13,186	3,061	—	15,363	13,404
Interest income	59	425	—	—	12,270	10,080	12,329	10,505
Reportable segment revenue	59	643	12,302	13,186	15,331	10,080	27,692	23,909
Reportable segment (loss)/profit	(24,581)	(11,917)	437	1,810	15,331	10,080	(8,813)	(27)
Depreciation and amortisation	(1,193)	(155)	(7,671)	(7,699)	—	—	(8,864)	(7,854)
Net realised and unrealised valuation gain on trading securities	1,957	11,186	—	—	—	—	1,957	11,186
Net realised and unrealised foreign exchange (loss)/gain	(279)	(768)	148	(47)	—	—	(131)	(815)
Changes in fair values of other financial assets/liabilities and deferred consideration	(2,835)	7,489	—	—	—	—	(2,835)	7,489
Additions to non-current assets	—	9	—	—	—	—	—	9
As at 30 June/31 December:								
Reportable segment assets	116,189	193,081	226,545	239,156	255,883	171,699	598,617	603,936
Reportable segment liabilities	11,671	5,559	11,393	8,717	—	—	23,064	14,276

3. Other net (loss)/gain

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Changes in fair values of other financial assets/liabilities and deferred consideration	(2,835)	7,489
Net realised and unrealised foreign exchange loss	(131)	(815)
Net realised and unrealised valuation gain on trading securities	1,957	11,186
Miscellaneous income	8	(31)
	<u>(1,001)</u>	<u>17,829</u>

4. Administrative expenses

Continuing operations

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

5. Finance costs

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Interest expenses on lease payment	64	—
	<u>64</u>	<u>—</u>

6. Income tax expense

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Current tax		
Provision for the period	—	—
Income tax expense from continuing operations	<u>—</u>	<u>—</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the six months ended 30 June 2019, taking into account a reduction granted by the Hong Kong SAR Government of 75% (2018: 75%) of the tax payable for the year of assessment 2018/19 (2018: 2017/18) subject to a maximum reduction of HK\$20,000 (2018: HK\$30,000) for each business. 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 30 June 2019, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK\$145.0 million (31 December 2018: HK\$145.0 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

7. Discontinued operations

Discontinued operations relate to hospitality segment

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 receivable by the Group under the Hotel PSA is approximately USD4,625,000. 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 Sales 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 loss for the period from the discontinued operations in respect of hospitality segment is analysed as follows:

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Revenue	64,771	55,186
Cost of sales	(11,969)	(10,749)
Gross profit	52,802	44,437
Other net losses	(14)	(60)
Administrative expenses	(58,790)	(63,182)
Loss from operating activities	(6,002)	(18,805)
Finance costs	(711)	(565)
Share of losses of associates	—	(2)
Loss before taxation	(6,713)	(19,372)
Income tax expense	—	—
Loss for the period from discontinued operations	<u>(6,713)</u>	<u>(19,372)</u>
Attributable to:		
Equity shareholders of the Company	(5,854)	(11,838)
Non-controlling interests	(859)	(7,534)
Loss for the period	<u>(6,713)</u>	<u>(19,372)</u>
Loss for period from discontinued operations attributable to:		
Equity shareholders of the Company	(5,854)	(11,838)
Non-controlling interests	(859)	(7,534)
	<u>(6,713)</u>	<u>(19,372)</u>

7. Discontinued operations (continued)

Loss for the period from discontinued operations in respect of hospitality segment is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Depreciation of property, plant and equipment	2,273	1,725
Amortisation of intangible assets	2,406	2,234
Operating lease charges – rental of properties	3,422	2,744
	<u> </u>	<u> </u>

The assets and liabilities associated with discontinued operations are analysed as follows:

	As at 30 June 2019
	<i>HK\$'000</i>
Assets held for sale	
Hospitality segment	104,410
	<u> </u>
Assets held for distribution (Note)	
Hospitality segment	3,111
	<u> </u>
Liabilities directly associated with the assets held for sale	
Hospitality segment	(104,957)
	<u> </u>
Liabilities directly associated with the assets held for distribution (Note)	
Hospitality segment	(1,741)
	<u> </u>

Note: The assets held for distribution and the liabilities directly associated with the assets held for distribution are related to the Group's U.S. hotel management arm, Richfield Hospitality, Inc. (the "RHI") which has ceased the hotel management service as at 30 June 2019.

7. Discontinued operations (continued)

The assets and liabilities associated with hospitality segment classified as held for sale and held for distribution to owners as at 30 June 2019 are analysed as follows:

	Note	Assets/liabilities held for sale HK\$'000	Assets/liabilities held for distribution HK\$'000
Property, plant and equipment		50,977	32
Intangible assets		15,532	—
Goodwill		7,314	—
Trade and other receivables	(i)	25,524	2,239
Current tax recoverable		—	783
Cash and cash equivalents		5,063	57
		<u>104,410</u>	<u>3,111</u>
Total assets associated with hospitality segment classified as		<u>104,410</u>	<u>3,111</u>
Trade and other payables	(ii)	(28,612)	(1,741)
Interest-bearing borrowings	(iii)	(28,508)	—
Deferred consideration		(3,624)	—
Loans from non-controlling interests	16	(44,213)	—
		<u>(104,957)</u>	<u>(1,741)</u>
Total liabilities associated with hospitality segment classified as		<u>(104,957)</u>	<u>(1,741)</u>

i) Trade and other receivables

	Assets held for sale as at 30 June 2019 HK\$'000	Assets held for distribution as at 30 June 2019 HK\$'000
Less than 1 month	17,944	—
1 to 3 months	697	—
More than 3 months	3,316	1,755
	<u>21,957</u>	<u>1,755</u>
Total third-party trade receivables, net of allowance for impairment loss	21,957	1,755
Other receivables	3,567	484
	<u>25,524</u>	<u>2,239</u>

ii) Trade and other payables

	Liabilities directly associated with the assets held for sale as at 30 June 2019 HK\$'000	Liabilities directly associated with the assets held for distribution as at 30 June 2019 HK\$'000
Due within 1 month or on demand	16,945	1,352
Due 1 to 3 months	1,872	389
Due 3 to 12 months	9,795	—
	<u>28,612</u>	<u>1,741</u>

7. Discontinued operations (continued)

iii) Interest-bearing borrowings

	Liabilities directly associated with the assets held for sale as at 30 June 2019 HK\$'000	Liabilities directly associated with the assets held for distribution as at 30 June 2019 HK\$'000
Bank loan (secured) Repayable	28,508	—
– within 1 year	980	—
– after 1 year but within 2 years	1,016	—
– after 2 year but within 5 years	26,512	—
	<u>28,508</u>	<u>—</u>

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\$35.1 million as at 30 June 2019 (31 December 2018: HK\$35.6 million);
- 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\$4.6 million as at 30 June 2019 (31 December 2018: HK\$3.1 million); and
- guarantee by RHI, an indirect subsidiary of the Group.

Covenant

The Group's banking facilities are subjected to the fulfilment of covenants relating to the Group's certain 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 30 June 2019, there was no breach of covenants that are significant to the Group's operations that will result in the lenders demanding for the immediate repayment of the term loan (31 December 2018: no breach of covenants).

Non-recourse carveout guarantees

As of 30 June 2019, 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 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 will expire on 6 May 2023.

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 into 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 "Covenants"). 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\$28.5 million as at 30 June 2019 (31 December 2018: HK\$29.0 million).

The management is of the view that the possibility of violating the 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 its respective outstanding loan amount.

7. Discontinued operations (continued)

iii) Interest-bearing borrowings (continued)

On 1 August 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 “Original Borrowers”) entered into the Defeasance assignment, Assumption and Release agreement with (i) SB DFZ COMM 2013-CR8 Holdings, LLC, as successor borrower, (ii) U.S. Bank National Association, as trustee under the Pooling and Servicing Agreement dated as of 1 June 2013, for certificate holders of COMM 2013-CCRE8 Mortgage Trust Commercial Mortgage Pass-Through Certificates (the “Lender”), (iii) Midland Loan Services, a division of PNC Bank, National Association, as master servicer and (iv) Wilmington Trust Company, as security intermediary and custodian, pursuant to which the Original Borrowers have directed the Lender to release the mortgaged property and any other collateral or security given by the Original Borrowers as security upon Original Borrower’s defeasance of the Group’s term loan. The Original Borrowers have granted to the Lender, a security interest in the securities and the proceeds thereof to secure the payment and performance in full when due of all outstanding loan amount. Therefore, all obligations of the Original Borrowers were released.

8. Loss for the period from continuing operations

Loss for the period from continuing operations is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$' 000	HK\$' 000
		(restated)
Depreciation of property, plant and equipment	155	155
Depreciation of right-of-use assets	1,038	—
Amortisation of intangible assets	7,671	7,699
Operating lease charges — rental of properties	—	3,846
	<u> </u>	<u> </u>

9. Earnings per share

For the period

a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of HK\$13.3 million (six months ended 30 June 2018: HK\$10.5 million) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2018: 398,979,524) in issue during the period.

b) Diluted loss per share

Diluted loss per share is the same as the basic loss per share because the Group has no dilutive securities that are convertible into shares during the six months ended 30 June 2019 and 30 June 2018.

From continuing operations

a) Basic (loss)/profit per share

The calculation of basic (loss)/profit per share from continuing operations is based on loss attributable to ordinary equity shareholders from continuing operations of the Company of HK\$7.4 million (six months ended 30 June 2018: profit of HK\$1.4 million) and the weighted average number of ordinary shares of 398,979,524 (six months ended 30 June 2018: 398,979,524) in issue during the period.

b) Diluted (loss)/profit per share

Diluted (loss)/profit per share is the same as the basic (loss)/profit per share because the Group has no dilutive securities that are convertible into shares during the six months ended 30 June 2019 and 30 June 2018.

10. Dividends

- a) Dividend attributable to the interim period

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: nil).

- b) There were no dividends attributable to the previous financial year, approved and paid during the interim period of 2019 and 2018.

11. Other financial assets

The other financial assets under current assets relate to the dividend forgone by non-controlling shareholders of HK\$4,827,000 (31 December 2018: HK\$7,813,000). These other financial assets are measured at fair value.

12. Trade and other receivables

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

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Less than 1 month	6,538	15,690
1 to 3 months	4,089	13,881
More than 3 months	9,414	14,103
Total third-party trade receivables, net of allowance for impairment loss	20,041	43,674
Due from an associate	1,254	1,254
Other receivables and deposits	36,896	20,117
	58,191	65,045
Prepayments	26,476	28,735
	84,667	93,780
Non-current	22,045	23,779
Current	62,622	70,001
	84,667	93,780

- 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) Prepayments mainly consist of professional fee of HK\$24 million (31 December 2018: HK\$25 million) paid in advance to business consultants who provide advisory services on the businesses of the Group.

13. Loan receivables

As at 30 June 2019, the Group made eight (31 December 2018: three) loans to third parties. The carrying amount of loans to third parties consists of a loan of approximately HK\$101.7 million (31 December 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, and another loan of approximately HK\$60.8 million (31 December 2018: approximately HK\$60.8 million) which is secured by personal guarantee from a shareholder of a borrower.

The loans bear interest at rates ranging from 4.54% to 13% (31 December 2018: 10% to 12%) per annum, and are repayable within one year.

14. Trade and other payables

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Trade payables	—	9,576
Other payables and accrued charges	9,293	20,733
	9,293	30,309
Deferred income	—	5,003
	9,293	35,312

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

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Due within 1 month or on demand	1,738	12,830
Due 1 to 3 months	118	4,519
Due 3 to 12 months	7,437	12,960
	9,293	30,309

15. Interest-bearing borrowings

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Bank 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 discontinued operations. Please refer to note 7(iii) for the details of the security.

16. Loans from non-controlling interests

The loans from non-controlling interests are unsecured, interest-free and are due for repayment over the period from July 2019 to June 2021.

17. Other financial liabilities

The other financial liabilities relate to put and call option arising from the acquisition of subsidiary in 2017. The other financial liabilities are measured at fair value.

18. Events after the end of the reporting period

On 2 April 2019, Sellers entered into Hotel PSA with the Purchaser Atma for the Disposal of Assets. The total consideration receivable by Group under the Hotel PSA is approximately USD4,625,000. The Disposal of Assets was completed on 2 August 2019.

On 26 June 2019, Seller entered into the PSA with the Purchaser for the Disposal of SHR with consideration of approximately USD3,277,354. The Disposal of SHR was completed on 6 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK\$13.3 million for the Period as compared with a net loss attributable to the equity shareholders of the Company of approximately HK\$10.5 million in the previous corresponding period. The higher loss was mainly due to a significant reduction of net realised and unrealised valuation gain on trading securities for the Period, which is partially offset by the increase in revenue in hospitality and money lending and related business segment.

Hospitality segment — discontinued operations

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 the Period. On the other hand, management fee income of approximately HK\$3.3 million was recorded in the previous corresponding period. The loss before tax is approximately HK\$1.4 million for the Period as compared with a loss before tax of approximately HK\$1.6 million in the previous corresponding period.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed a revenue of approximately HK\$8.5 million in total for the Period as compared with approximately HK\$10.4 million for the previous corresponding period. The loss before tax is approximately HK\$2.1 million for the Period as compared with that of approximately HK\$0.9 million in the previous corresponding period.

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 receivable by Group under the Hotel PSA is approximately USD4,625,000. The Disposal of Assets was completed on 2 August 2019.

The Group's 51% equity interest in Sceptre Hospitality Resources, LLC ("SHR"), together with its subsidiaries, Sceptre Hospitality Resources Pte. Ltd, Sceptre Hospitality Resources Europe S.L., Cross-Tinental S.L. and Kootae SLU ("SHR Group"), the hospitality industry's leading experts for reservations connectivity, online channel marketing and revenue/channel-management services, recorded higher revenue of approximately HK\$56.3 million for the Period, up by approximately HK\$14.8 million or 36% from approximately HK\$41.5 million in the previous corresponding period. However, SHR Group incurred higher administrative expenses during the Period to support the revenue growth, resulting in an operating loss of approximately HK\$2.3 million for the Period as compared with an operating loss of approximately HK\$15.4 million in the previous corresponding period.

On 26 June 2019, SWAN USA Inc, an indirect subsidiary of the Company (the "Seller"), entered into a Purchase and Sales 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 also recognised share of loss from its associate, S-R Burlington Partners, LLC. of approximately HK\$0.9 million for the Period as compared with the share of loss of approximately HK\$1.5 million in the previous corresponding period.

Consequently, the Group's hospitality segment reported a loss before tax of approximately HK\$6.7 million for the Period as compared with a loss before tax of approximately HK\$19.4 million in the previous corresponding period.

Investment holding segment — continuing operations

The Group's investment holding segment recorded a net loss on fair value of other financial assets/liabilities and deferred consideration of approximately HK\$2.8 million, which is partially offset by the net realised and unrealised valuation gain on trading securities of approximately HK\$2.0 million. Overall, the total net realised and unrealised loss of approximately HK\$0.8 million was recorded for the Period as compared with the total net realised and unrealised gain of approximately HK\$17.9 million in the previous corresponding period. Consequently, the Group's investment holding segment reported a loss before tax of approximately HK\$24.6 million for the Period as compared with a loss before tax of approximately HK\$11.9 million in the previous corresponding period.

Healthcare segment — continuing operations

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 together constitute the Group's new Healthcare segment. PRIP contributed royalty income of approximately HK\$4.1 million for both the Period and the previous corresponding period, and DIAM contributed service income of approximately HK\$8.2 million for the Period as compared with service income of approximately HK\$9.1 million in the previous corresponding period.

Money lending and related business segment — continuing operations

The Group continues to operate the money lending and related business during the Period. This segment contributed handling income of HK\$3.1 million and interest income from third parties loans of HK\$12.3 million for the Period, as compared with no handling income and interest income from third parties loans of HK\$10.1 million in the previous corresponding period.

PROSPECTS

Hospitality segment

During the Period, the Group has disposed most of its business in hospitality segment including the assets and operation of the Sheraton Chapel Hill Hotel and the SHR Group. For Richfield Hospitality Inc., a hotel management company, hotel management service of which has already been ceased since late of 2018 in order to reduce loss.

The remaining operating activities under hospitality segment of the Group is the operation by S-R Burlington Partners, LLC. which the Group has 27% effective interest in and is classified as an associate of the Group. The Group will continue to run the hotel in Burlington operated by S-R Burlington Partners, LLC. in current year and seek for any market interest in our investment in S-R Burlington Partners, LLC. at the same time.

Healthcare business

Following the completion of the disposal of Sheraton Chapel Hill Hotel and SHR Group, the Group will reallocate its resources for the further development and expansion of its core business in particular, its healthcare and related businesses, including but not limited to the plastic surgery and medical beauty services and assisted reproductive in-vitro fertilisation services hospitals in China and other Asia markets.

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 two 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). However, as the trading disputes between the United States and the Chinese government is making the global economic environment unstable and vulnerable, the Group has been more cautious with accepting customers from money lending and related business. In order to strike a balance between divarication growth and risk control, the Group will continue to adopt prudent credit procedures in accepting customers in the future.

Investment holding

The Group will continue to hold some trading securities and will monitor and make appropriate changes on the investment portfolio from time to time to adapt to the economic environment.

In addition, the Group will explore different short-term investment plans to improve its investment return by using the cash reserves on hand in different currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value measurement of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

AUDIT COMMITTEE

The members of the Audit Committee of the Company comprise 3 independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results and the interim financial information for the Period with no disagreement.

OTHER INFORMATION

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

CORPORATE GOVERNANCE CODE

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

Under the CG Code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 28 June 2019 (the "2019 AGM"), our Chairman was unable to attend the meeting as he had to attend to other commitments. Mr. Yuen Kwok Kuen, our independent non-executive Director chaired the 2019 AGM.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

Hong Kong, 29 August 2019

As at the date of this announcement, the Board comprises eight Directors of which Mr. Jiang Yulin 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.