TIAN YUAN HEALTHCARE
天 元 医 疗

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

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

UNAUDITED RESULTS

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of China Tian Yuan Healthcare Group Limited (the "Company") and its subsidiaries, joint arrangements and associates (the "Group") has not been completed. The audited annual results may be different from those contained in this announcement. An announcement relating to the audited results for the year ended 31 December 2019 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein, will be made when the auditing process has been completed. In the meantime, the directors (the "Directors") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 ("FY2019") together with the comparative figures for the year 2018.

Consolidated Statement of Profit or Loss
for the year ended 31 December 2019 - unaudited

	Note	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations			
Revenue	3	71,393	60,383
Other net (loss)/gain	4	(15,848)	7,096
Allowance for expected credit losses		(75,142)	–
Administrative expenses	5	(73,417)	(81,056)
Loss from operating activities		(93,014)	(13,577)
Finance costs	6	(189)	(75)
Share of losses of associates		(4,897)	(2,346)
Loss before taxation		(98,100)	(15,998)
Income tax expense	7	(219)	(375)
Loss for the year from continuing operations	9	(98,319)	(16,373)
Discontinued operations			
Gain/(loss) for the year from discontinued operations	8	26,017	(23,674)
Loss for the year		(72,302)	(40,047)
Attributable to:			
Equity shareholders of the Company			
– from continuing operations		(103,972)	(14,459)
– from discontinued operations		27,133	(13,163)
		(76,839)	(27,622)
Non-controlling interests			
– from continuing operations		5,653	(1,914)
– from discontinued operations		(1,116)	(10,511)
		4,537	(12,425)
Loss for the year		(72,302)	(40,047)
Earnings per share		*HK cents*	*HK cents*
Basic loss per share	10		
– for the year		(19.25)	(6.92)
– from continuing operations		(26.05)	(3.62)
Diluted loss per share	10		
– for the year		(19.25)	(6.92)
– from continuing operations		(26.05)	(3.62)

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

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Loss for the year	(72,302)	(40,047)
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	(1,188)	42
Exchange differences on monetary item forming net investment in a foreign operation	181	(63)
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 movement in fair value reserves (non-recycling)	–	(3,027)
Total other comprehensive expense for the year	(1,007)	(3,048)
Total comprehensive expense for the year	(73,309)	(43,095)
Attributable to:		
Equity shareholders of the Company	(77,846)	(30,858)
Non-controlling interests	4,537	(12,237)
Total comprehensive expense for the year	(73,309)	(43,095)

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

Consolidated Statement of Financial Position
as at 31 December 2019 - unaudited

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		4,705	53,845
Intangible assets		117,397	142,653
Goodwill	12	87,220	95,016
Financial assets at fair value through other comprehensive income		–	538
Interests in associates		6,122	8,367
Trade and other receivables	13	20,543	23,779
		235,987	324,198
Current assets			
Trading securities		12,547	16,730
Trade and other receivables	13	87,804	70,001
Other financial assets	14	–	7,813
Loan receivables	15	180,502	171,699
Current tax recoverable		779	485
Cash and cash equivalents		22,428	114,346
		304,060	381,074
Current liabilities			
Trade and other payables	16	(13,504)	(35,312)
Lease liabilities		(2,049)	–
Interest-bearing borrowings	17	–	(960)
Deferred consideration		–	(1,728)
Loans from non-controlling interests	18	–	(21,961)
Other financial liabilities	20	(12,932)	–
Provision for taxation		(568)	(2,995)
		(29,053)	(62,956)
Net current assets		275,007	318,118
Total assets less current liabilities		510,994	642,316

	Note	2019 *HK$'000*	2018 *HK$'000*
Non-current liabilities			
Deferred rental expense		–	(1,897)
Deferred tax liabilities	19	(15,852)	(15,938)
Dividends received in excess of earnings from equity-method accounted joint venture		(227)	(227)
Interest-bearing borrowings	17	–	(28,041)
Lease liabilities		(1,374)	–
Loan from non-controlling interests	18	–	(11,940)
Other financial liabilities	20	–	(8,272)
		(17,453)	(66,315)
NET ASSETS		493,541	576,001
CAPITAL AND RESERVES			
Share capital	21	398,980	398,980
Share premium	21	20,663	20,663
Reserves		(11,541)	66,305
Total equity attributable to equity shareholders of the Company		408,102	485,948
Non-controlling interests		85,439	90,053
TOTAL EQUITY		493,541	576,001

Notes

1. Accounting policies

The unaudited annual results for the year ended 31 December 2019 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the annual report for the year ended 31 December 2018, except for the accounting policy changes that are effective for the year ended 31 December 2019. Details of these changes in accounting policies are set out below.

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

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

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

HKFRS 16, Leases

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

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

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

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

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

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	38,467
Less: Operating lease commitments (discontinued operations)	(32,763)
Lease liabilities discounted at relevant incremental borrowing rates	(315)
Lease liabilities as at 1 January 2019	5,389
Analysed as	
Current	1,965
Non-current	3,424
	5,389

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

	Carrying amounts previously reported at 31 December 2018 *HK$'000*	**Adjustments** *HK$'000*	**Carrying amount under HKFRS 16 at 1 January 2019** *HK$'000*
Non-current assets			
Right-of-use assets	–	5,389	5,389
Current liabilities			
Lease liabilities	–	(1,965)	(1,965)
Non-current liabilities			
Lease liabilities	–	(3,424)	(3,424)

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 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 year are as follow:

	Right-of-use assets *HK$'000*	**Lease liabilities** *HK$'000*
As at 1 January 2019	5,389	5,389
Depreciation expense	(2,036)	–
Interest expense	–	189
Payments	–	(2,155)
As at 31 December 2019	3,353	3,423

2. Segment reporting

The operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs, which are regularly reviewed by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. Four (2018: four) operating and reportable segments and one (2018: nil) discontinued segment under HKFRS 8 "Operating Segments" are identified as follows:

Continuing operation

Investment holding:	This segment relates to investments in listed equity investments, and unlisted marketable equitable equity mutual funds held as trading securities and investment in an unlisted equity fund classified as financial assets at fair value through other comprehensive income (non-recycling). Currently, the Group's equity investment portfolio includes equity securities listed on The Philippines Stock Exchange, Inc. and an unlisted investment in Hong Kong.
Healthcare:	This segment primarily derives the revenue from the provision of procurement, marketing and management services to the medical industry as well as royalty fees from the licensing of trademarks. Currently, the Group's activities in this segment are carried out in China, Hong Kong and Korea.
Money lending and related business:	This segment primarily derives the revenue from the interests earned from the provision of loans to third parties, as well as referral and handling fees receivable for the provision of loan related services and the introduction of prospective lenders and borrowers. Currently, the Group's activities in this segment are carried out in China and Hong Kong.
Hospitality continuing operations:	This segment primarily derives the revenue from the provision of procurement services relating to hospitality industry.

Discontinued operation

Hospitality discontinued operation:	This segment primarily derives the revenue from provision of hotel reservation as well as owning and managing hotel which are carried out in the United States and Europe.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 are set out below:

	Continuing operations								Discontinued operations			
	Investment Holding		Hospitality		Healthcare		Money Lending and Related Business		Hospitality		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition												
Point in time	–	218	1,062	4,365	13,958	18,410	3,061	3,050	65,836	111,173	83,917	137,216
Over time	–	–	–	–	20,338	8,142	–	–	–	–	20,338	8,142
Revenue from external customers	–	218	1,062	4,365	34,296	26,552	3,061	3,050	65,836	111,173	104,255	145,358
Interest income	55	714	–	–	–	–	32,919	25,484	–	–	32,974	26,198
Reportable segment revenue	55	932	1,062	4,365	34,296	26,552	35,980	28,534	65,836	111,173	137,229	171,556
Reportable segment (loss)/profit	(53,493)	(36,837)	(12,905)	(12,112)	7,382	4,417	(39,084)	28,534	26,017	(23,674)	(72,083)	(39,672)
Depreciation and amortisation	(2,347)	(311)	11	(58)	(15,437)	(15,423)	–	–	(4,780)	(8,256)	(22,553)	(24,048)
Net realised and unrealised valuation loss on trading securities	(4,194)	(936)	–	–	–	–	–	–	–	–	(4,194)	(936)
Net realised and unrealised foreign exchange (loss)/gain	(2,220)	20	(42)	6	23	180	–	–	19	(69)	(2,220)	137
Net (loss)/gain on other financial assets/liabilities	(4,911)	7,804	–	–	–	–	–	–	–	–	(4,911)	7,804
Plant and equipment written off	–	–	–	–	–	–	–	–	–	(94)	–	(94)
Additions to non-current assets	5,390	9	–	–	988	–	–	–	–	4,700	6,378	4,709
Reportable segment assets	93,107	193,081	13,434	1,247	226,149	239,156	206,578	171,699	–	99,604	539,268	704,787
Reportable segment liabilities	15,212	5,559	1,109	3,341	13,765	8,717	–	–	–	92,721	30,086	110,338

Reconciliation of reportable segmental assets and liabilities

	2019	2018
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	539,268	704,787
Current tax recoverable	779	485
Consolidated total assets	540,047	705,272
Liabilities		
Reportable segment liabilities	30,086	110,338
Provision for taxation	568	2,995
Deferred tax liabilities	15,852	15,938
Consolidated total liabilities	46,506	129,271

3. Revenue

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Revenue from provision of hospitality related services	1,062	4,365
Revenue from provision of healthcare related services		
– Royalty fee	20,338	8,142
– Management fee	13,958	18,410
Revenue from money lending and related business activities		
– Loan handling fee	3,061	3,050
– Interest income on third parties loans	32,919	25,484
Dividend income	–	218
Interest income on bank deposits	55	714
	71,393	60,383

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Discontinued operations		
Revenue from provision of hospitality related services	65,836	111,173

4. Other net (loss)/gain

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Impairment loss on interest in a joint operation	(2,376)	–
Impairment loss on interest in an associate	(2,208)	–
Net realised and unrealised foreign exchange (loss)/gain	(2,239)	206
Net realised and unrealised valuation loss on trading securities	(4,194)	(936)
Net (loss)/gain on other financial assets/liabilities	(4,911)	7,804
Miscellaneous income	80	22
	(15,848)	7,096

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Discontinued operations		
Net realised and unrealised foreign exchange gain/(loss)	19	(69)
Miscellaneous expense	–	(47)
	19	(116)

5. Administrative expenses

Continuing operations

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

Discontinued operations

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

6. Finance costs

	2019 *HK$'000*	**2018** *HK$'000* *(restated)*
Continuing operations		
Interest expenses on lease payment	189	–
Interest expenses on borrowings	–	75
	189	75

	2019 *HK$'000*	**2018** *HK$'000* *(restated)*
Discontinued operations		
Interest expenses on borrowings	843	1,161

7. Income tax expense

	2019 *HK$'000*	**2018** *HK$'000* *(restated)*
Continuing operations		
Current tax – Overseas		
Provision for the year	219	375
Income tax expense	219	375

The provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year ended 31 December 2019. 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 2019, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of approximately HK$149.4 million (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.

Tax losses amounting to HK$15.4 million (2018: HK$12.6 million) have expiry dates between 1 to 5 years. Tax losses amounting to HK$83.4 million (2018: HK$86.7 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$50.6 million (2018: HK$73.6 million) do not expire under the tax legislations of the respective jurisdiction.

No provision for income tax expenses for discontinued operations for year 2019 and 2018.

8. Discontinued operations

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

On 26 June 2019, SWAN USA Inc, an indirect subsidiary of the Company, (the "Seller"), entered into a Purchase and Sale Agreement (the "PSA") with the Whiteboard Labs, LLC, (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in Sceptre Hospitality Resource, LLC ("SHR"), an indirect subsidiary of the Company with consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

The loss for the year from the discontinued operations in respect of Disposal of Assets and Disposal of SHR is analysed as follows:

	2019 *HK$' 000*	**2018** *HK$' 000* *(restated)*
Revenue	65,836	111,173
Cost of sales	(12,557)	(22,033)
Gross profit	53,279	89,140
Other net gain/(loss)	19	(116)
Administrative expenses	(57,172)	(111,537)
Loss from operating activities	(3,874)	(22,513)
Finance costs	(843)	(1,161)
Loss before taxation	(4,717)	(23,674)
Income tax expense	–	–
Loss after income tax	(4,717)	(23,674)
Gain on Disposal of SHR	30,860	–
Loss on Disposal of Assets	(126)	–
Gain/(loss) for the year from discontinued operations	26,017	(23,674)
Attributable to:		
Equity shareholders of the Company	27,133	(13,163)
Non-controlling interests	(1,116)	(10,511)
	26,017	(23,674)

On 6 July 2019, the Group disposed entire interest in SHR, the net assets of SHR at the date of disposal were as follows:

	As at 6 July 2019
Analysis of assets and liabilities over which control was lost:	*HK$'000*
Property, plant and equipment	15,808
Intangible assets	15,216
Goodwill	7,294
Trade and other receivables	27,097
Cash and cash equivalents	625
Trade and other payables	(22,667)
Deferred rent	(1,984)
Deferred consideration	(1,633)
Loans from non-controlling interests	(44,085)
Net liabilities disposed	(4,329)
Gain on disposal of a subsidiary:	
Consideration received	25,577
Net liabilities disposed of	4,329
Non-controlling interests	1,037
Cumulative exchange differences in respect of net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(83)
Gain on disposal	30,860
Net cash inflow arising on disposal:	
Cash consideration	25,577
Less: bank balances and cash disposed of	(625)
	24,952

On 2 August 2019, the Group disposed certain assets of the Joint Operation, the details of the disposal of assets were as follows:

	As at 2 August 2019 *HK$'000*
Consideration received (net of transaction cost)	69,682
Carrying amount of assets sold	69,933
Loss on disposal of assets	(251)
Group's share, 50%	(126)

Loss for the year from discontinued operations in respect of Disposal of Assets and Disposal of SHR is arrived at after charging:

	2019 *HK$' 000*	2018 *HK$' 000* *(restated)*
Depreciation of property, plant and equipment	2,372	3,587
Amortisation of intangible assets	2,408	4,669
Operating lease charges – rental of properties	3,312	5,493

9. Loss for the year from continuing operations

Loss for the year is arrived at after charging:

	2019 *HK$'000*	2018 *HK$'000*
Depreciation of property, plant and equipment	2,426	416
Amortisation of intangible assets	15,347	15,376
Operating lease charges – rental of properties	1,276	3,528

10. Earnings per share

For the year

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$76.8 million (2018: HK$27.6 million) and the weighted average number of ordinary shares of 398,979,524 (2018: 398,979,524) in issue during the year.

b) Diluted loss per share

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

From continuing operations

a) Basic loss per share

The calculation of basic loss per share from continuing operations is based on loss attributable to ordinary equity shareholders from continuing operations of the Company of HK$104.0 million (2018: profit of HK$14.5 million) and the weighted average number of ordinary shares of 398,979,524 (2018: 398,979,524) in issue during the year.

b) Diluted loss per share

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

11. Dividends

The Directors of the Company have resolved not to propose any final dividend for the year ended 31 December 2019 (2018: nil), on the assumption that the audited annual results of the Company for the year ended 31 December 2019 to be published upon completion of the auditing process will be consistent in all material respects with the unaudited results set out herein).

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

12. Goodwill

	HK$'000
As at 1 January 2018	94,837
Translation differences	179
As at 31 December 2018	95,016
Disposal of SHR (note 8)	(7,294)
Translation differences	(502)
As at 31 December 2019	87,220

13. Trade and other receivables

	2019 HK$'000	2018 HK$'000
Third-party trade receivables (note (a))	44,913	43,736
Less: Allowance for expected credit losses	(1,083)	(62)
	43,830	43,674
Amount due from an associate	–	1,254
Other receivables and deposits	27,338	20,117
Prepayments (note (b))	37,179	28,735
	108,347	93,780
Non-current	20,543	23,779
Current	87,804	70,001
	108,347	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.

The aging analysis of trade receivables (net of allowance for expected credit losses) based on the invoice date is as follows:

	2019 HK$'000	2018 HK$'000
Less than 1 month	24,836	15,690
1 to 3 months	5,910	13,881
More than 3 months	13,084	14,103
	43,830	43,674

(b) Prepayments mainly consist of professional fees of HK$21.7 million (2018: HK$24.9 million) paid in advance to business consultants who provide advisory services on the businesses of the Group.

14. Other financial assets

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

15. Loan receivables

	2019	2018
	HK$'000	*HK$'000*
Loans to third parties	254,483	171,699
Less: Allowance for expected credit losses	(73,981)	–
	180,502	171,699

One of the loans to third parties of approximately HK$101.2 million (2018: approximately HK$101.8 million) which is secured by a pledge of properties owned by two individuals who have also extended personal guarantees in favour of the borrower. On 12 February 2020, the aforesaid outstanding amount has fallen due. However, the borrower informed the Company that it was unable to repay the said principal amount and the accrued interest at the repayment date, which constituted a default in repayment of the principal amount and accrued interest. On 5 March 2020, the borrower, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK$17,800,000) to a wholly-owned subsidiary of the Company incorporated in the PRC as partial repayment ("Repayment 1"). On 6 March 2020, one of the personal guarantor ("1st Guarantor") paid a sum of HK$33,000,000 to the Company as partial repayment ("Repayment 2"). Taking into account of Repayment 2 is not lower than the estimated market value of 1st Guarantor's residential property in Hong Kong as secured under the second legal charge, on 15 March 2020, instead of exercising the second legal charge, the Company entered into a deed of partial release to release the second legal charge over the residential property in Hong Kong charged by the 1st Guarantor under the second legal charge in favour of the Company. The remaining amount after the settlement of Repayment 1 and Repayment 2 is classified as expected credit losses.

Another loan of approximately HK$60.5 million (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 10% to 18.5% (2018: 10% to 12%) per annum, and are repayable within one year.

16. Trade and other payables

	2019	2018
	HK$'000	*HK$'000*
Trade payables	67	9,576
Other payables and accrued charges	13,437	20,733
	13,504	30,309
Deferred income	–	5,003
	13,504	35,312

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

	2019	2018
	HK$'000	*HK$'000*
Due within 1 month or on demand	2,514	12,830
Due 1 to 3 months	66	4,519
Due 3 to 12 months	10,924	12,960
	13,504	30,309

17. Interest-bearing borrowings

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

The interest-bearing borrowings are related to discontinued operations.

18. Loan from non-controlling interests

The loan from non-controlling interests is unsecured and interest-free. The loan for non-controlling interests is related to discontinued operations.

19. Deferred tax liabilities

The deferred tax liabilities of HK$15,852,000 (2018: HK$15,938,000) relate to deferred tax in respect of the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition of PRIP Communications Limited and its subsidiary.

20. Other financial liabilities

The other financial liabilities relate to put and call option in relation to the acquisition of the remaining shareholding of PRIP Communications Limited from the minority shareholders. The other financial liabilities are measured at fair value.

21. Share capital

	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
The Company			
Balance at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	398,980	20,663	419,643

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

22. Capital commitment

Acquisition of a subsidiary

On 31 December 2019, the Group has entered into a sale and purchase agreement ("SPA") to acquire a target group (comprising of a hospital in Shanghai ("Shanghai Hospital")) for a consideration of RMB30,000,000 (equivalent to approximately HK$33,600,000). Shanghai Hospital is principally engaged in the plastic surgery operation in People's Republic of China. The completion of the acquisition is conditional upon the fulfilment the conditions precedent set out in the SPA. As at the date of this announcement, the acquisition has not been completed. Details of the acquisition of the Shanghai Hospital are set out in the announcement of the Company dated 31 December 2019.

23. Comparative figure

The presentation of comparative information in respect of the unaudited statement of comprehensive income for the year ended 31 December 2018 has been restated in order to disclose the discontinued operations separately from continuing operations. As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss of approximately HK$72.3 million for FY2019 as compared with a net loss of approximately HK$40.0 million for the year ended 31 December 2018. The higher net loss was mainly attributable to the expected credit losses incurred on the Group's Money Lending and Related Business segment, which is partially offset by the net gain on disposal of a subsidiary for FY2019. The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$76.8 million for FY2019 as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$27.6 million in the previous corresponding year.

Investment Holding segment

The Group's Investment Holding segment recorded net loss on fair value of other financial assets/liabilities of approximately HK$4.9 million and the net realised and unrealised valuation loss on trading securities of approximately HK$4.2 million. Overall, total net realised and unrealised loss of approximately HK$9.1 million was recorded for FY2019 as compared with the total net realised and unrealised gain of approximately HK$6.9 million in the previous corresponding year. Consequently, the Group's Investment Holding segment reported a loss before tax of approximately HK$53.5 million for FY2019 as compared with a loss before tax of approximately HK$36.8 million in the previous corresponding year.

Hospitality segment

Regarding the Group's Hospitality segment, the Group's U.S. hotel management arm, Richfield Hospitality, Inc. has ceased the hotel management service in order to reduce loss in the hospitality segment and therefore no management fee income was recorded for FY2019. On the other hand, management fee income of approximately HK$4.4 million was recorded in the previous corresponding year. The loss before tax is approximately HK$8.6 million for FY 2019 as compared with a loss before tax of approximately HK$9.8 million in the previous corresponding year.

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

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of approximately HK$9.6 million for seven months as compared with approximately HK$20.8 million from the previous corresponding year. The Hotel recorded a loss before tax of approximately HK$2.5 million for FY2019 as compared with a loss before tax of approximately HK$2.2 million in the previous corresponding year.

On 26 June 2019, SWAN USA Inc. an indirect subsidiary of the Company (the "Seller"), entered into a purchase and sale agreement (the "PSA") with the Whiteboard Labs, LLC (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in SHR with consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

The Group's 51% equity interest in Sceptre Hospitality Resources, LLC (the "SHR") together with its subsidiaries, Sceptre Hospitality Resources Pte. Ltd, Sceptre Hospitality Resources Europe S.L., Cross-Tinental S.L. and Kootae SLU (collectively, the "SHR Group"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded revenue of HK$56.3 million for six months as compared with approximately HK$90.4 million in the previous corresponding year, SHR Group recorded an operating loss of approximately HK$2.2 million as compared with an operating loss of approximately HK$21.5 million in the previous corresponding year.

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

Consequently, excluding the net gain on disposal of a subsidiary/assets of HK$30.7 million and impairment loss on interest in joint operation of HK$2.4 million, the Group's Hospitality segment reported a loss before tax of approximately HK$15.2 million for FY2019 as compared with a loss before tax of approximately HK$35.8 million in the previous corresponding year.

Healthcare segment

The Group's healthcare business has been carried out under PRIP Communications Limited ("PRIP") and DIAM Holdings Co., Ltd ("DIAM"). PRIP contributed royalty income of approximately HK$20.3 million for FY2019 as compared with royalty income of approximately HK$8.1 million in the previous corresponding year, and PRIP and DIAM contributed service income of approximately HK$14.0 million for FY2019 as compared with service income of approximately HK$18.4 million in the previous corresponding year.

Money Lending and Related Business segment

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

Others

Basic loss per share for FY2019 was HK$19.25 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$0.51 as at 31 December 2019, decreased from HK$0.62 at 31 December 2018. The board did not propose a final dividend for FY2019.

PROSPECTS

Hospitality segment

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

The operating activities under hospitality segment of the Group include the operation by its associate, S-R Burlington Partners, LLC. in which the Group has 27% effective interest. The Group will continue to run the hotel in Burlington operated by S-R Burlington Partners, LLC.. The Group will also develop other hospitality business and grasp the opportunity to enter into merger and acquisition in order to bring in growth other than organic growth as well as establish possible regional presences when it arises.

Healthcare business

Following the completion of the Disposal, the Group will continue to further develop and expand its existing core business, including but not limited to the plastic surgery and medical beauty services and assisted reproductive IVF services hospitals in China and other Asia Markets. The Group has been continuously exploring the healthcare and plastic surgery sector in the PRC.

At 31 December 2019, the Group entered into a sale and purchase agreement to acquire a plastic surgery hospital which is in line with the Company's expansion strategy in the healthcare business sector and an opportunity to strengthen its existing principal business in the healthcare business segment. It is believed that plastic surgery business will bring synergy to the Group and is beneficial to the future development of the Group.

Money lending and related business

In 2019, the Group will continue its money lending and related business, which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Group will continue to develop the money lending and related business by leveraging and making good use of the resource and network of the executive Directors in banking and finance industries. Delightful Aesthetics Investment Limited, a wholly-owned subsidiary of the Company obtained a money lending licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Given that the trade friction and negotiation between the People's Republic of China and the United States is expected to continue and adversely affect the global economic environment, the Group has been and will be more cautious with the credit assessment and acceptance of customers from money lending and related business. In order to strike a balance between expansion of the money lending and related business segment and the risk control of the Group, the Group will adopt a more prudent credit assessment and procedures when accepting customers for money lending business in the future.

Investment holding

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

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed in light of the quarantine measures and travel restrictions imposed due to the outbreak of the novel coronavirus (COVID-19) epidemic. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited annual results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The members of the audit committee of the Company comprise 3 independent non-executive Directors. The annual results of the Group for FY2019 contained herein have been reviewed by the audit committee of the Company.

FINAL DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: nil), on the assumption that the audited annual results of the Company for the year ended 31 December 2019 to be published upon completion of the auditing process will be consistent in all material respects with the unaudited results set out herein.

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 FY2019, save as the deviation which is explained as follows:

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"), the chairman of the board of the Company was unable to attend the 2019 AGM as he had to attend to other commitments. Mr. Yuen Kwok Kuen, our independent non-executive Director and chairman of the audit committee chaired the 2019 AGM and answer the Shareholders' questions.

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. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the Model Code throughout FY2019.

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 FY2019.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprised eight directors of which Mr. Wang Huabing (chairman) and Ms. Zhang Xian are the executive directors; Ms. He Mei, Mr. Zhang Yupeng and Mr. Zhou Yuan are the non-executive directors; and Mr. Hu Baihe, Mr. Yuen Kwok Kuen and Mr. Guo Jingbin are the independent non-executive directors.

* *for identification purposes only*