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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)

**MAJOR TRANSACTION IN RELATION TO
AGREEMENT OF LEGAL CHARGE
FOR THE NEW FACILITY AGREEMENT AS SUPPLEMENTED BY
THE SUPPLEMENTAL DEED**

AGREEMENT OF LEGAL CHARGE

The Board hereby announces that, on 17 January 2020, Mr. Li Ming (the 1st Guarantor), as chargor, and Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天醫醫療管理有限公司) (the “**PRC Subsidiary**”), a wholly-owned subsidiary of the Company which was incorporated in the PRC, as chargee, entered into an Agreement of Legal Charge, pursuant to which the 1st Guarantor has charged five properties located in Beijing, the PRC, owned by him (the “**PRC Properties**”) in favour of the PRC Subsidiary as security for the due payment of all obligations and liabilities (include but not limited to the principal amount of the New Facility, the accrued interest and the default interest) due, owing or incurred by the Borrower to the Company under the New Facility Agreement as supplemented by the Supplemental Deed.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) are more than 25% but all are less than 100%, the Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholder’s approval requirements under Chapter 14 of the Listing Rules.

As the assets ratio as defined under Rule 14.07(1) of the Listing Rules in respect of the Transaction exceed 8%, the Transaction is also subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Agreement of Legal Charge and the Transaction, and as such, no Shareholder is required to abstain from voting on the resolution(s) to approve the Agreement of Legal Charge and the Transaction if the Company were to convene a general meeting for the approval of the Agreement of Legal Charge and the Transaction.

As at the date of this announcement, Tian Yuan Manganese Limited (formerly known as China Tian Yuan Manganese Limited), a controlling Shareholder who directly holds 249,539,294 Shares, representing approximately 62.54% of the issued share capital of the Company as at the date of this announcement, has given the written approval of the Agreement of Legal Charge and the Transaction and such written approval has been accepted and obtained by the Company in lieu of holding a general meeting of the Company for the approval of the Agreement of Legal Charge and the Transaction in accordance with Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company for the approval of the Agreement of Legal Charge and the Transaction will be convened and held.

GENERAL

Pursuant to Rule 14.41 of the Listing Rules, the Company is required to dispatch to the Shareholders a circular in relation to the Agreement of Legal Charge and the Transaction and other information required under the Listing Rules within 15 Business Days after the publication of this announcement, that is, on or before 9 March 2020.

INTRODUCTION

References are made to the announcements of the Company dated 14 July 2017, 4 April 2018, 16 July 2018, 12 November 2018, 21 December 2018 and 12 November 2019 in relation to, among others, (1) the provision of the Facility in an aggregate principal amount of USD13,000,000 by the Company (being the Lender) to the Borrower under the Facility Agreement; (2) the entering of the First Supplemental Deed to the Facility Agreement for amendment on certain terms of the Facility Agreement; (3) the default in repayment of the Facility under the Amended Facility Agreement by the Borrower; (4) the provision of the New Facility in an aggregate principal amount of USD13,000,000 by the Company to the Borrower under the New Facility Agreement; (5) the entering of the Second Supplemental Deed to the Facility Agreement for amendments on certain terms of the Amended Facility Agreement; and (6) the entering of the Supplemental Deed to the New Facility Agreement in respect of, among others, the extension of the Repayment Date to the Extended Repayment Date (the “**Announcements**”).

The Board hereby announces that, on 17 January 2020, Mr. Li Ming (the 1st Guarantor), as chargor, and Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天醫醫療管理有限公司) (the “**PRC Subsidiary**”), a wholly-owned subsidiary of the Company which was incorporated in the PRC, as chargee, entered into an Agreement of Legal Charge, pursuant to which the 1st Guarantor has charged the PRC Properties owned by him in favour of the PRC Subsidiary as security for the due payment of all obligations and liabilities (include but not limited to the principal amount of the New Facility, the accrued interest and the default interest) due, owing or incurred by the Borrower to the Company under the New Facility Agreement as supplemented by the Supplemental Deed.

Below is a summary of the major terms to the Agreement of Legal Charge:

THE AGREEMENT OF LEGAL CHARGE

Date: 17 January 2020

Parties: (1) the 1st Guarantor, as chargor; and
(2) the PRC Subsidiary, as chargee.

Security: the 1st Guarantor as chargor has charged the PRC Properties owned by the 1st Guarantor in favour of the PRC Subsidiary as security for the due payment of all obligations and liabilities (include but not limited to the principal amount of the New Facility, the accrued interest and the default interest) due, owing or incurred by the Borrower to the Company under the New Facility Agreement as supplemented by the Supplemental Deed.

Existing Mortgages: two properties among the PRC Properties are subject to the existing first mortgages in favour of the other creditors which are third parties independent of the Company and its Connected Persons.

FUNDING OF THE LOAN

Since the purpose of entering into of the Agreement of Legal Charge is to provide further security for the New Facility Agreement as amended by the Supplemental Deed and to better safeguard the interest and any potential credit loss of the Company, there was no actual cash outflow from the Company and/or the Group involved under the New Facility Agreement as amended by the Supplemental Deed.

INFORMATION OF THE BORROWER AND THE 1ST GUARANTOR (CHARGOR)

The Borrower is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

The 1st Guarantor is an individual who is the chairman and an executive director of China Ocean Industry Group Limited which is listed on the Stock Exchange (Stock Code: 651).

To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiry, the Borrower and its ultimate beneficial owner, and the 1st Guarantor are third parties independent of the Company and its Connected Persons as at the date of this announcement.

INFORMATION OF THE GROUP AND THE LENDER

The Company is an investment holding company. The Group is principally engaged in investment holding and the provision of hospitality related services, securities and fund investment, money lending and related business and healthcare business.

INFORMATION OF THE PRC SUBSIDIARY (CHARGE)

The PRC Subsidiary is a wholly-owned subsidiary of the Company which is incorporated in the PRC. The PRC Subsidiary is principally engaged in investment holding and the provision of healthcare and related business.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT OF LEGAL CHARGE

The terms of the Agreement of Legal Charge were negotiated on an arms' length basis, having regard to the financial standing of the Borrower, the creditworthiness of the 1st Guarantor, the value of the security to be provided under the Agreement of Legal Charge and the costs of funds of the Group.

Based on the market value quoted from the independent property agents in the PRC, as at the date of the announcement, the estimated total market value of the PRC Properties owned by the 1st Guarantor (subject to the outstanding debts amounted to RMB30,000,000 secured under the Existing Mortgages as at the date of this announcement) amount to approximately RMB55,775,711 (equivalent to approximately HK\$62,468,796).

Taking into consideration the satisfactory financial background and social status of the 1st Guarantor, the total estimated value of the additional security on the PRC Properties provided under the Agreement of Legal Charge, the Personal Guarantees and the Second Legal Charge for the New Facility Agreement (as amended and supplemented by the Supplemental Deed) and the expected continuous interest income to be received by the Group, the Directors consider that the terms of the Agreement of Legal Charge and the Transaction are fair and reasonable and the Transaction is in the best interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) are more than 25% but all are less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

As the assets ratio as defined under Rule 14.07(1) of the Listing Rules in respect of the Transaction exceed 8%, the Transaction is also subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Agreement of Legal Charge and the Transaction, and as such, no Shareholder is required to abstain from voting on the resolution(s) to approve the Agreement of Legal Charge and the Transaction if the Company were to convene a general meeting for the approval of the Agreement of Legal Charge and the Transaction.

As at the date of this announcement, Tian Yuan Manganese Limited (formerly known as China Tian Yuan Manganese Limited), a controlling Shareholder who directly holds 249,539,294 Shares, representing approximately 62.54% of the issued share capital of the Company as at the date of this announcement, has given the written approval of the Agreement of Legal Charge and the Transaction and such written approval has been accepted and obtained by the Company in lieu of holding a general meeting of the Company for the approval of the Agreement of Legal Charge and the Transaction in accordance with Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company for the approval of the Agreement of Legal Charge and the Transaction will be convened and held.

GENERAL

Pursuant to Rule 14.41 of the Listing Rules, the Company is required to dispatch to the Shareholders a circular in relation to Agreement of Legal Charge and the Transaction and other information required under the Listing Rules within 15 Business Days after the publication of this announcement, that is, on or before 9 March 2020.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“1st Guarantor” or the “Chargor”	Mr. Li Ming (李明)
“2nd Guarantor”	Mr. Zhang Shihong (張士宏)
“1st Personal Guarantee”	the personal guarantee provided by the 1st Guarantor in favour of the Company under the New Facility Agreement
“2nd Personal Guarantee”	the personal guarantee provided by the 2nd Guarantor in favour of the Company under the New Facility Agreement, subject however to Certain Limitations as set forth in the New Facility Agreement
“Agreement of Legal Charge”	the agreement of legal charge dated 17 January 2020 and entered into between the 1st Guarantor and the PRC Subsidiary in relation to, among others, the provision of legal charge of the PRC Properties owned by 1st Guarantor in favour of the PRC Subsidiary, the terms of which are set out in the section headed “The Agreement of Legal Charge” in this announcement
“Amended Facility Agreement”	the Facility Agreement which is supplemented and amended by the First Supplemental Deed to the Facility Agreement
“Board”	the board of directors of the Company
“Borrower”	Lead Dragon Limited, a company incorporated in the British Virgin Islands with limited liability

“Business Day(s)”	a day (excluding a Saturday or a Sunday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours or has the meaning ascribed to it under the Listing Rules (as the case may be)
“Certain Limitations”	<p>The total liabilities of the 2nd Guarantor in the capacity as guarantor under the 2nd Personal Guarantee and/or mortgagor under the Second Legal Charge shall not exceed the prevailing value representing those of all the rights and interests in the residential property owned by 2nd Guarantor and mortgaged under the Second Legal Charge.</p> <p>The aforesaid prevailing value will be assessed as at the time when the Company calls in all the moneys due and payable under the New Facility Agreement or takes any steps to exercise or enforce any power or remedy conferred upon the Company against the Borrower, 1st Guarantor and/or the 2nd Guarantor under the Second Legal Charge and/or New Facility Agreement</p>
“Company” or the “Lender”	China Tian Yuan Healthcare Group Limited (formerly known as City e-Solutions Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 557)
“Connected Persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“Extension”	the extension of the Repayment Date to the Extended Repayment Date and amendments of certain terms and conditions of the New Facility Agreement as stipulated under the Supplemental Deed
“Extended Repayment Date”	12 February 2020, the extended repayment date of the New Facility under the New Facility Agreement (as amended and supplemented by the Supplemental Deed)
“Facility”	a facility in an aggregate principal amount of USD13,000,000 granted by the Company to the Borrower pursuant to the Facility Agreement
“Facility Agreement”	the facility agreement dated 14 July 2017 entered into between the Company, the Borrower and the 1st Guarantor in respect of the provision of the Facility
“First Supplemental Deed to the Facility Agreement”	the supplemental deed to Facility Agreement dated 22 March 2018 and entered into between the Company, the Borrower and the Guarantors for amendments on certain terms of the Facility Agreement
“Group”	the Company and its subsidiaries

“Guarantors”	the 1st Guarantor and the 2nd Guarantor
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Facility”	a facility in an aggregate principal amount of USD13,000,000 granted by the Company to the Borrower pursuant to the terms and conditions of the New Facility Agreement
“New Facility Agreement”	the facility agreement dated 12 November 2018 entered into between the Company, the Borrower, the 1st Guarantor and the 2nd Guarantor pursuant to which the Company granted the New Facility to the Borrower
“Personal Guarantees”	the 1st Personal Guarantee and the 2nd Personal Guarantee
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary” or the “Chargee”	Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天醫醫療管理有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC
“Repayment Date”	12 November 2019, the repayment date of the New Facility under New Facility Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Second Legal Charge”	The all-moneys second legal charge dated 29 March 2018 and executed by the Company, the Borrower, the Guarantors in favour of the Company pursuant to which, among others, each of the 1st Guarantor and the 2nd Guarantor charged by way of second legal charge their respective residential properties in Hong Kong in favour of the Company, subject to the existing first mortgages over their respective residential properties and as regards the liabilities of the 2nd Guarantor are concerned, subject however to Certain Limitations as set forth in the New Facility Agreement
“Share(s)”	ordinary share(s) of HK\$1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Second Supplemental Deed to the Facility Agreement”	the supplemental deed to the Facility Agreement dated 23 November 2018 and entered into between the Company, the Borrower and the Guarantors for amendments on certain terms of the Amended Facility Agreement
“Supplemental Deed”	the supplemental deed to New Facility Agreement dated 12 November 2019 and entered into between the Company, the Borrower and the Guarantors for amendments on certain terms of the New Facility Agreement, details of which are stated in this announcement
“Transaction”	the transaction contemplated under the New Facility Agreement as supplemented by the Supplemental Deed and the Agreement of Legal Charge
“USD”	United States Dollar, the lawful currency of the United States

In this announcement, the translation of RMB into Hong Kong dollars is based on the exchange rate of RMB1.00 to HK\$1.12 for information purposes only. Such translations should not be construed as representations that the relevant amounts have been, could have been, or could be, converted at these or any other rates or at all.

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

Hong Kong, 17 February 2020

As at the date of this announcement, the Board is composed of eight directors of which Mr. Jiang Yulin (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 purpose only*