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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)

QUARTERLY UPDATE ON RECENT DEVELOPMENT OF SUSPENSION OF TRADING

This announcement is made by China Tian Yuan Healthcare Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) and Rule 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated (i) 16 March 2020 in relation to the inside information announcement in relation to the update on provision of financial assistance to an entity; (ii) 21 August 2020 in relation to suspension of trading in the shares of the Company; (iii) 31 August 2020 in relation to postponement of board meeting; (iv) 11 September 2020 in relation to the resumption guidance (the “**Resumption Guidance**”); (v) 30 September 2020 in relation to the delay in publication of the 2020 Interim Results; (vi) 23 November 2020 in relation to the quarterly update on recent development of suspension of trading; (vii) 15 December 2020 in relation to the further delay in publication of the 2020 Interim Results and dispatch of the 2020 Interim Report; (viii) 28 January 2021 in relation to the business update of the operation of the Company; (ix) 31 March 2021 in relation to (a) the further delay in publication of the 2020 Interim Results and dispatch of the 2020 Interim Report and (b) the delay in publication of the 2020 Annual Results and dispatch of the 2020 Annual Report; (x) 9 April 2021 in relation to the notification of board meeting; (xi) 21 April 2021 in relation to the change of date of board meeting; (xii) 22 April 2021 in relation to the clarification announcement to the change of date of board meeting; (xiii) 26 April 2021 in relation to the further delay in publication of the 2020 Interim Results and the 2020 Annual Results; (xiv) 21 May 2021 in relation to the publication of the 2020 Interim Results and the 2020 Annual Results; (xv) 24 May 2021 in relation to the quarterly update on recent development of suspension of trading; and (xvi) 23 August 2021 in relation to the quarterly update on recent development of suspension of trading (“**August 2021 Update Announcement**”) (collectively, the “**Announcements**”), the 2020 Interim Report and the 2020 Annual Report published on 6 June 2021, and 2021 Interim Report published on 30 September 2021. Unless otherwise stated, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

BUSINESS OPERATIONS

The Group has continued to maintain its business operations since the suspension of trading in the Shares on 24 August 2020. The Group's main business operations include its healthcare segment, hospitality segment, money lending and related business segment and investment holding segment. As at the date of this announcement, the segments are under normal operation.

Revenue of the Group increased from approximately HK\$17.8 million for the six months ended 30 June 2020 to approximately HK\$48.4 million for the six months ended 30 June 2021, representing an increase of approximately HK\$30.6 million or 172.1%. Such increase was mainly attributable to the full year impact of revenue generated by Shanghai Hospital. Gross profit of the Group increased from approximately HK\$16.1 million for the six months ended 30 June 2020 to approximately HK\$37.4 million for the six months ended 30 June 2021, representing an increase of approximately HK\$21.3 million, or 132.3%. The Group's loss after taxation amounted to approximately HK\$6.4 million for the six months ended 30 June 2021, representing a decrease of approximately HK\$81.7 million, or 92.7%, from approximately HK\$88.1 million for the six months ended 30 June 2020. Such decrease was mainly attributable to (i) the increased revenue during the period as aforementioned; (ii) the impairment loss on trademarks of approximately HK\$61.0 million and impairment loss on prepayments of approximately HK\$7.8 million in the corresponding period of 2020.

The Group will continue to review its existing businesses from time to time and strive to improve the business operation and financial position of the Group. It is the strategy of the Company to continue to look for suitable acquisition opportunities including but not limited to small to medium scaled aesthetic medical clinics in the PRC and leverage our DA Trademark as well as management expertise and experience to further expand the Group's aesthetic medical business and gain more market share in the aesthetic medical industry in the PRC.

In respect of its money lending and related business segment, no new loan of significant amount had been granted by the Group from the date of the August 2021 Update Announcement up to the date of this announcement as the Group has been more cautious and adopted a prudent credit assessment on the acceptance of customers for money lending business under the global outbreak of COVID-19 pandemic.

As at the date of this announcement, the outstanding amount of the Loan A (including principal, interests and default interests if any) is approximately US\$11,455,000 (equivalent to approximately HK\$89,233,000).

As disclosed in August 2021 Update Announcement, in view of recovering the outstanding amount of Loan A, the HK Legal Advisers, on behalf of the Company, have initiated the bankruptcy proceedings against the 1st Guarantor of Loan A. On 2 July 2021, the creditor's bankruptcy petition (the "**Petition**") on failure to comply with the Statutory Demand for a liquidated sum payable immediately has been presented to the High Court. As at the date of this announcement, the Company has successfully served the Petition on the solicitors acting for the 1st Guarantor of Loan A in the bankruptcy proceedings. The next hearing for the Petition will be held at 4 p.m. on 8 December 2021 at the High Court.

The Company will make further announcement(s) regarding to any update of relevant legal proceedings as and when appropriate in accordance with the Listing Rules and other applicable laws and regulations.

RESUMPTION PROGRESS

The Board wishes to update the Shareholders and potential investors of the Company that the Company has been continuously making effort in taking steps to fulfil the Resumption Guidance.

The Company has published all outstanding financial results and addressed the audit modifications to the Stock Exchange. The publication of (i) the 2020 Interim Results and the 2020 Final Results on 23 May 2021; (ii) the 2020 Interim Report and the 2020 Annual Report on 6 June 2021; (iii) the 2021 Interim Results on 30 August 2021; and (iv) 2021 Interim Report on 30 September 2021.

On 23 November 2021, the Company has published the announcement in relation to the key findings and results of the internal control review (the “**Internal Control Review**”) performed by Crowe (HK) Risk Advisory Limited (the “**Crowe (HK)**”), in which has been completed on 9 September 2021. Based on the results of the Internal Control Review, there was nothing which comes to the attention of Crowe (HK) to indicate that there was any material irregularity or error on the financial reporting procedures and internal control systems of the Company and the Group.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 24 August 2020 and will remain suspended until further notice pending fulfilment of the Resumption Guidance.

Further announcement(s) will be made by the Company to inform the Shareholders and potential investors of any material development relating to the captioned matters as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 23 November 2021

As at the date of this announcement, the Board is composed of seven Directors of which Mr. Wang Huabing (chairman) and Ms. Zhang Xian are the executive Directors, Ms. He Mei 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 Director.