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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)**

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO  
THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the annual report of China Tian Yuan Healthcare Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 (the “**2021 Annual Report**”). Capitalised terms used herein shall have the same meanings as defined in the 2021 Annual Report unless otherwise stated.

The board of directors (the “**Board**”) of the Company wishes to provide the following additional information in relation to loan receivables as disclosed in the Note 21 and 31 respectively to the consolidated financial statements in the 2021 Annual Report.

For the Money Lending Business, the Company has kept on promoting the business through the network of previous and existing executive directors including Ms. Zhang Xian and Mr. Wang Huabing. The executive directors have carried out interview with the clients to understand their existing businesses as well as the upcoming business plans. The size of loans to be granted were assessed depending on the client's financial status and the source of funding was from the internal resources of the Group. As at 31 December 2021, there were eight borrowers arising from its money lending and related business segment as shown below: –

Corporate Borrowers	Interest rate (per annum)	Terms	Collaterals	Principal (HKD'000)	Expected credit loss (HKD'000)	Principal- net balance (HKD'000)
Borrower 1	12%	1 year	Pledge of shares of a private PRC company with market value of approximately RMB34,740,000	15,597	–	15,597
Borrower 2	12%	1 year	N/A	22,616	(312)	22,304
Borrower 3	12%	1 year	N/A	23,395	(1,252)	22,143
Borrower 4	13%	1 year	N/A	11,698	(626)	11,072
Borrower 5	13%	1 year	N/A	14,037	(751)	13,286
Borrower 6	11%	1 year	Pledge of shares of a limited partnership with market value of approximately HKD25,000,000	15,597	–	15,597
Borrower 7	13%	1 year	Pledge of assets including chattels, anode plates and cathode plates with market value of approximately RMB20,000,000	12,235	–	12,235
Borrower 8 <sup>Note 1</sup>	(i) 12% starting from and including 12 November 2018 up to and including 11 November 2019  (ii) 18.5% starting from and including 12 November 2019 up to and including 12 February 2020	15 Months from the date of facility agreement	(i) Pledge of properties in Hong Kong and PRC  (ii) Personal guarantees provided by Mr. Li Ming and Mr. Zhang Shihong	62,778	(62,778)	–
<b>TOTAL</b>				<b>177,953</b>	<b>(65,719)</b>	<b>112,234</b>

As at 30 June 2022, there were nine borrowers arising from its money lending and related business segment as shown below: –

Corporate Borrowers	Interest rate (per annum)	Terms	Collaterals	Principal (HKD'000)	Expected credit loss (HKD'000)	Principal- net balance (HKD'000)
Borrower 1	13%	1 year	Pledge of shares of a private PRC company with market value of approximately RMB34,740,000	15,693	–	15,693
Borrower 2	13%	1 year	N/A	14,908	(223)	14,685
Borrower 3	13%	1 year	N/A	15,693	(859)	14,834
Borrower 4	13%	1 year	N/A	15,683	(859)	14,824
Borrower 5	13%	1 year	N/A	11,770	(644)	11,126
Borrower 6	13%	1 year	N/A	14,124	(773)	13,351
Borrower 7	11%	1 year	Pledge of shares of a limited partnership with market value of approximately HKD25,000,000	15,693	(259)	15,434
Borrower 8 <sup>Note 2</sup>	13%	1 year	Pledge of assets including chattels, anode plates and cathode plates with market value of approximately RMB20,000,000	11,706	–	11,706
Borrower 9 <sup>Note 1</sup>	(i) 12% starting from and including 12 November 2018 up to and including 11 November 2019  (ii) 18.5% starting from and including 12 November 2019 up to and including 12 February 2020	15 Months from the date of facility agreement	(i) Pledge of properties in Hong Kong and PRC  (ii) Personal guarantees provided by Mr. Li Ming and Mr. Zhang Shihong	62,760	(62,760)	–
<b>TOTAL</b>				<b>178,030</b>	<b>(66,377)</b>	<b>111,653</b>

*Note 1:* Refer to note 11 of interim report 2022 on page 10 and 11 for the details of the loan.

*Note 2:* The borrower and the ultimate holding company, Ningxia Tianyuan Manganese Industry Group Co., Ltd are the limited partners in a limited partnership established and registered under the laws of the PRC and the loan was introduced by the executive director, Mr. Wang Huabing.

The followings are the independent assessment performed on loan applications before the loans are granted: –

- i) the directors have carried out interview with potential clients to understand their principal activities, purpose of the loan and future plans of corporate borrowers.
- ii) management accounts were obtained in order to analyze on financial status of the borrowers. Audited accounts were also obtained if it is required under statutory requirements.
- iii) statutory documents, e.g., incorporation and business registration documents were obtained and bankruptcy/litigation searches were performed for corporate borrowers to carry out background checking and understanding the credit and repayment history of the borrowers.
- iv) declaration of anti-money laundering was obtained from the borrowers to confirm their compliance on the relevant rules.
- v) the above documents and findings were considered by the Board of Directors when considering approval and extension of the loans.
- vi) if the directors have considered to obtain collaterals for the loans, market value of the pledged collaterals were obtained from independent and reliable sources. The collaterals were required from the borrowers if there was no guarantee provided and the net assets value of the corporate borrowers was below the principal amount. The terms of loans were then be determined depending on the existence and value of pledged collaterals.

The above information and documents were passed to the Board of Directors for assessment, approval and reporting of the provision and extension of external loans.

In order to have a continuous monitoring on loan receivables, a table of loans and interest receivables were prepared to keep track on the outstanding balances, which included details of interest rates, principal amounts, pledged assets (if any), repayment schedule etc. The market value of the pledge assets was updated quarterly. Such table was also provided to the management quarterly for reviewing the recovery process and contacted the respective debtors in advance for repayment in order to minimize the irrecoverability problem. When the balances were due, letters of demand were sent to borrowers to remind for the payments.

In case the overdue balances were still not yet repaid, the letters of demand were sent to the borrowers once per three months. Management was responsible for reviewing the whole follow up process and considered to execute any legal actions if necessary. The legal actions would be taken if the overdue balances were remain unsettled over half years after the letters of demands were sent.

Besides, the Company had kept track on the market value of the pledged assets. In case of the market value of the pledged assets almost falling below the outstanding amount owed by the borrower, the Company will request the borrowers to increase its security, and in the event that the outstanding amount owed by the borrower has been long overdue and the intention of repayment of the borrower is weak, file litigation against the guarantors and/or borrowers to execute the security pledged.

By Order of the Board  
**China Tian Yuan Healthcare Group Limited**  
**Dong Wei**  
*Executive Director*

Hong Kong, 4 November 2022

*As at the date of this announcement, the Board is comprised of seven directors of which Mr. Wang Huabing (Chairman) and Ms. Dong Wei are the executive directors; Ms. He Mei and Mr. Zhou Yuan are the non-executive directors; and Mr. Yuen Kwok Kuen, Mr. Li Jun and Ms. Zhou Siqi are the independent non-executive directors.*