THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in China Tian Yuan Healthcare Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND CONNECTED TRANSACTION – DISPOSAL OF 51% EQUITY INTEREST IN A SUBSIDIARY

Capitalised terms used in this cover shall have the same meanings as defined in this circular. A letter from the Board is set out on pages 3 to 12 of this circular.

20 December 2019

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

"Announcements"	the announcements of the Company dated 26 June 2019, 28 June 2019 and 6 July 2019 respectively
"Board"	the board of directors of the Company
"Company"	China Tian Yuan Healthcare Group 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)
"Completion"	completion of the Disposal in accordance with terms and conditions of the PSA, which took place on 6 July 2019
"Completion Date"	6 July 2019, the date on which Completion takes place
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Directors"	director(s) of the Company
"Disposal"	the disposal of 51% equity interest in SHR by the Seller to the Purchaser pursuant to the PSA
"Group"	the Company and its subsidiaries
"Latest Practicable Date"	17 December 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	on the date which falls on the expiry of two (2) months from the dates of the PSA or such other date as the Seller and the Purchaser may agree in writing
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Purchaser"	Whiteboard Labs, LLC., a company established in the USA

"Purchase and Sale Agreement" or "PSA"	the Purchase and Sale Agreement dated 26 June 2019 entered into between SWAN USA, as the seller and the Purchaser, as purchaser for the Disposal
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SWAN USA" or "Seller"	SWAN USA Inc., a company established in the USA with limited liability and an indirect subsidiary of the Company
"SHR"	Sceptre Hospitality Resources, LLC, a company established in the USA with limited liability and, an indirect subsidiary of the Company before the Completion of the Disposal
"SHR Group"	SHR and its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA"	the United States of America
"USD"	the lawful currency of the USA
"Valuer"	a qualified independent valuer registered in Hong Kong
"%"	percent

For the purpose of illustration only, USD is translated into HK$ at an exchange rate of USD1 to HK$7.84. Such translation should not be construed as a representation that any amounts in USD or HK$ have been, could have been or could be converted at the above or any other rates or at all.

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)

Executive Directors:
Mr. Jiang Yulin *(Chairman)*
Ms. Zhang Xian *(Chief Executive Officer)*

Independent non-executive Directors:
Mr. Hu Baihe
Mr. Yuen Kwok Kuen
Mr. Guo Jingbin

Non-executive Directors:
Ms. He Mei
Mr. Zhang Yupeng
Mr. Zhou Yuan

Principal office in Hong Kong:
Room Nos. 1120-1126, 11/F.,
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Registered office:
c/o Maples and Calder
P.O. Box 309
Grand Cayman
Cayman Islands
British West Indies

20 December 2019

To the Shareholders of the Company

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION –
DISPOSAL OF 51% EQUITY INTEREST IN A SUBSIDIARY

INTRODUCTION

References are made to the Announcements.

The Board announced that, on 26 June 2019, SWAN USA, an indirect subsidiary of the Company, as Seller, entered into the PSA with the Purchaser, pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the 51% equity interest in SHR.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal. Accordingly, no Shareholders would be required to abstain from voting if the Company were to convene a general meeting for approving the Disposal. Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, shareholders' written approval has been obtained on 27 June 2019 from Tian Yuan Manganese Limited (formerly known as China Tian Yuan Manganese Limited), a controlling Shareholder who directly holds and is beneficially interested in 249,539,294 Shares, representing approximately 62.54% of the issued share capital of the Company, as at the Latest Practicable Date, approving the PSA and the transactions contemplated. As such, the Company is not required to convene a general meeting for purpose of the Disposal.

The main purpose of this circular is to provide you with further particulars of the Disposal and other information required under the Listing Rules.

The PSA

On 26 June 2019, SWAN USA, an indirect subsidiary of the Company, as Seller, entered into the PSA with the Purchaser, pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the 51% of equity interest in SHR. Particulars of the principal terms of which are set out below:

Date

26 June 2019

Parties

(a) SWAN USA Inc., an indirect subsidiary of the Company, as seller; and

(b) the Purchaser, as purchaser.

The Purchaser is interested as to 49% of the equity interest in SHR. As such, the Purchaser is considered as a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

To the best information and belief of the Directors, the ultimate beneficial owners of the Purchaser include Mr. Rodrigo Jimenez, the Chief Executive Officer of SHR, who, as at the Latest Practicable Date, holds 24.79% interest in the Purchaser, and 14 other minority shareholders who are third parties independent of the Company.

Assets to be disposed of

51% of the equity interest in SHR. Upon the Completion, the Company has ceased to have any interest in SHR. SHR has ceased to be an indirect subsidiary of the Company, accordingly, the financial results, assets, liabilities and cash flows of SHR will no longer be consolidated into the Company's consolidated financial statements.

Further particulars of SHR are set out in the section headed "Information on SHR" below.

Consideration and payment terms

According to the PSA, an aggregate consideration of approximately USD3,277,000 shall be paid by the Purchaser to the Seller in cash in following manners:

(i) within 10 business days from the date of the PSA, a cash amount of USD150,000 (the "**Deposit**"); and

(ii) at the Completion, a cash amount of approximately USD3,127,000 (the "**Final Payment**").

The consideration was determined after arm's length negotiation between the parties by reference to, among others, (i) the fair market value of 100% of the interest in SHR Group of USD3,800,000 as at 31 August 2018 (being the valuation base date), as appraised by a qualified independent valuer registered in the USA, using income based approach, specifically guideline public method and discounted cash flow method which has taken into account the discounted cash flow forecast of SHR Group; (ii) historical operation results of SHR Group that SHR Group has been making continuous loss for the a number of years; and (iii) the prospects of the business engaged by the SHR Group.

In light of (i) the fact that the consideration for the Disposal at USD3,277,000 represents a significant mark-up of approximately 69% over the appraised fair market value of 51% of interest in SHR Group of USD1,938,000 as at 31 August 2018; and (ii) the operation results and performance of SHR Group after the valuation was still unsatisfactory, which are evidenced by a further operational loss of USD842,000 in nine months period subsequent to the valuation base date, resulting in an unaudited net liabilities of SHR Group amounted to USD481,000 as at 31 May 2019, therefore the Directors are of the view that the consideration is fair and reasonable.

Conditions

Completion is conditional upon the fulfilment and/or waiver of, inter alia, the following conditions:

(A) the Shareholders having passed resolutions (if required) to approve the PSA and the transactions contemplated thereunder;

(B) no order or judgment (whether temporary, preliminary or permanent) of any relevant governmental entity having been issued or made prior to the Completion which has the effect of making unlawful or otherwise prohibiting or restricting or limiting the transfer of the shares of SHR to the Purchaser, or any transaction contemplated by the PSA;

(C) no event having occurred since the date of the PSA to the Completion Date, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or assets of the SHR Group between the date of the PSA and the Completion; and

(D) the warranties and representation of the parties thereto remaining true and accurate in all material respects.

If any of the conditions to the Completion stipulated in the PSA has not been fulfilled (or waived in writing) on or before the Long Stop Date, the PSA shall terminate in accordance with its terms and conditions.

The Completion

The Completion has been taken place on 6 July 2019 on which the transfer of 51% equity interest of SHR by the Seller to the Purchaser completed, which is before the Long Stop Date.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the information available, the Group estimates to recognise an unaudited gain of approximately USD3.5 million from the Disposal, being the difference between (i) the consideration for the Disposal receivable by the Group and (ii) the Group's share on unaudited net liabilities of SHR as at 31 May 2019 as extracted from its management accounts.

Upon the completion of the Disposal, SHR has ceased to be a subsidiary of the Company and the financial results of the SHR will no longer be consolidated into the Group's financial statements. It is expected that the total assets of the Group would decrease by approximately USD8.9 million and the total liabilities of the Group would decrease by approximately USD11.9 million upon the completion of the Disposal. As mentioned above, the expected gain from the Disposal of approximately USD3.5 million would have an immediate positive impact on the earnings of the Group. Moreover, given the loss-making position of the SHR Group, the Group's profitability is expected to be improved upon Completion as the loss incurred by the SHR Group subsequent to its disposal is no longer consolidated in the Group's income statement.

The actual gain as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors.

Shareholders should note that the above figures are for illustrative purpose only. The actual gain or loss on the Disposal may be different from the above and will be determined based on the financial position of SHR Group on the Completion Date and the review by the Group's auditors upon finalization of the consolidated financial statements of the Group.

INFORMATION ON THE GROUP AND SWAN USA

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

SWAN USA is principally engaged in investment holding.

INFORMATION ON SHR

SHR was established in the USA and principally engaged in provision of hotel reservation services. Prior to the completion of the Disposal on 6 July 2019, the interest of SHR was owned as to 51% by SWAN USA and 49% by the Purchaser. The consolidated financial information of SHR Group for the two financial years ended 31 December 2018 and 2017 according to its management accounts is set out below:

	For the year ended 31 December	
	2018	**2017**
	USD	*USD*
Revenue	11,574,686	9,407,057
Loss before tax	(2,747,468)	(3,406,258)
Loss after tax	(2,747,468)	(3,406,258)

As at 31 May 2019, the unaudited net liabilities of SHR Group as extracted from its consolidated management accounts amounted to approximately USD481,000.

SHR GROUP PROFIT FORECAST

The fair market value of 51% equity interests in the SHR Group of USD3,088,000 as at 26 June 2019 (being the valuation base date) was appraised by a Valuer, which represents the average of the valuation by using guideline publicly traded comparable method (market approach) and discounted cash flow method (income approach). Since the discounted cash flow method has taken into account the discounted cash flow forecast of SHR Group (the "**SHR Group Profit Forecast**" or "**SHR Group Discounted Cash Flows**"), and therefore the SHR Group Profit Forecast constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Set out below is the information in relation to the SHR Group Profit Forecast:

(A) Principal Bases and Assumptions

The principal bases and assumptions, including commercial assumption, on which the SHR Group Profit Forecast was based, include, during the five financial years ending 31 December 2023:

(a) There will be no material adverse change in industry demand and/or market conditions, the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions; nor there will be any material adverse change in the current laws of taxation in countries/regions where SHR Group currently operates in and in new markets that may potentially expand into;

(b) It is assumed that SHR Group will continue to operate with all relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by the SHR Group under the normal course of business;

(c) It is assumed that the SHR Group will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; that all permits necessary including trademarks, patents, technology, copyrights and other valuable technical and management know-how for the operation of the SHR Group will not be infringed;

(d) The valuation work is based on the forecast provided by the SHR Group and future revenue growth for the SHR Group would not deviate significantly from its industry;

(e) A terminal value is derived based on a perpetual growth rate of 2.2%, which is referenced on the long term inflation forecast of USA from International Monetary Fund (IMF) World Economic Outlook Database in April 2019. The projected revenue growth rates applied which is based on expected organic growth and new business lines recently incorporated and acquired is as follows:

	2019	**2020**	**2021**	**2022**	**2023**
Growth	24.6%	18.7%	22.3%	15.0%	10.0%

The expected organic growth rate is referenced on the historical growth rate and assume the increasing growth rate due to the new business lines in 2021 and steady slow down afterwards during the five year financial projection; and

(f) EV metrics are considered to be more robust when the capital structures of the comparable companies vary considerably. EV/EBITDA instead of EV/Revenue multiple is chosen as the valuation metric to form the basis on conclusion of value, due to the facts that the (i) EV/EBITDA multiples form a relatively narrower interquartile range between 9.98x to 13.94x, and (ii) EV/EBITDA multiples produce a much lower coefficient of variance.

(B) Report from Independent Auditor concerning the calculations of the SHR Group discounted future estimated cash flows ("Report from Independent Auditor")

PKF Hong Kong Limited, Certified Public Accountants, has reviewed and reported on the calculations of the SHR Group discounted future estimated cash flows and is of the opinion that, so far as the calculations are concerned, the SHR Group discounted future estimated cash flows has been properly compiled in all material respects in accordance with the bases and assumptions adopted. The SHR Group discounted future estimated cash flows does not involve the adoption of any accounting policies.

(C) Board Letter

The Board has reviewed and considered the SHR Group Profit Forecast including the bases and assumptions upon which the SHR Group Profit Forecast was based. The Board has also considered the Report from Independent Auditor. On the basis of the foregoing, the Board is of the opinion that the SHR Group Profit Forecast adopted by the Valuer has been made after due and careful enquiry and the Board issued a letter to the Stock Exchange (the "**Board Letter**") accordingly.

The Report from Independent Auditor dated 20 December 2019 is included in Appendix II to this circular for the purposes of Rules 14.58(6) of the Listing Rules. The Company has submitted the Report from Independent Auditor and the Board Letter to the Stock Exchange in compliance with Rules 14.62(2) and (3) of the Listing Rules.

(D) Experts and Consents

The qualifications of the experts who have given their opinions and advices in this circular are as follows:

Name	Qualification
PKF Hong Kong Limited	Certified Public Accountants
Valtech Valuation Advisory Limited	Independent Valuer

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the experts is a third party independent of the Group and its connected persons.

As at the Latest Practicable Date, each of the experts does not have any shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the publication of this circular with the inclusion of its opinion and advice and all references to its name in the form and context in which they are included.

INFORMATION ON THE PURCHASER

The Purchaser was established in the USA and is principally engaged in provision of website and application software development services for the travel industry. As at the date of the PSA, the Purchaser was interested as to 49% of the equity interest in SHR which was then an indirect non-wholly owned subsidiary of the Company. As such, the Purchaser has been considered as a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PSA

The Directors observed that the SHR Group has been making continuous losses for the recent years. Through the Disposal, the Group will be able to recoup its investment in SHR and to apply the net proceeds from the Disposal to profit-generating projects in its principal business operations such as money lending and related business, hospitality and healthcare business, which is beneficial to the future development of the Group in the long run.

Besides hospitality segment, the principal business operations of the Group include securities and fund investment, money lending and related business and healthcare service. For the financial year 2018, the money lending and related business segment and healthcare service segment recorded segment profits of HK$28,534,000 and HK$4,417,000, respectively.

For the healthcare service segment, the subscription and acquisition (the "**Subscription and Acquisition**") of 51% of the entire issued share capital of PRIP Communications Limited by the Company and its associated transactions in 2017, including but not limited to the acquisition of Korean DA trademarks and provision of certain procurement, marketing and management services and trademark licensing services to DA Plastic Surgery Clinic ("**DA Clinic**"), demonstrates a strong alignment with the Group's interest and commitment in entering into the high-growth healthcare-related industries, being a new business segment to the Group since 2017. After the aforesaid transaction with DA Clinic, the Group built up the partnership with Dr. LEE Sang Woo of DA Clinic and his professional team, a reputable clinic and team in plastic surgery and medical beauty industry in South Korea. It provides a foundation for importing South Korean top-tier doctors and professional staff to mainland China in future. The Group is optimistic about the future development of medical beauty industry in China and is of the view that the growth in the medical beauty industry is very promising.

As disclosed in the announcements of the Company dated 30 May 2017 and 17 August 2017 in relation to the Subscription and Acquisition that the Company would explore the possibility of further cooperation with Dr. LEE in the plastic surgery and medical beauty industry in greater China area. The Group is now liaising to acquire certain plastic surgery clinic(s) or hospital(s) in China which will operate under the "DA" brand and expects to apply the net proceeds from the Disposal to fund such acquisitions. It is also expected that the Group will cooperate with Dr. LEE in the operation of the plastic surgery clinic(s) or hospital(s) in China to be acquired by utilising his expertise in management and operation of the clinic(s) and hospital(s) including importing to the clinics or hospitals professionally qualified and experienced doctors and other related human resources, providing the continuing technical training, managing the quality control of services provided at these clinic(s) or hospital(s). The Directors are confident that the potential projects in medical beauty industry is beneficial to the Group's business performance and is in line with its development strategy in the long run. As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement or understanding in relation to the proposed acquisition of plastic surgery clinic(s) or hospital(s) in China yet. It is expected that the agreement or memorandum of understanding in relation to the abovementioned acquisitions plastic surgery clinic(s) or hospital(s) in China will be entered into in the second half of 2019. In case of the Group did not carry out the aforementioned acquisition plans as expected, the net proceeds can be used to develop other hospitality related business and enhance the overall continuous competitiveness of the Group by strengthening the position of working capital of the Group and/or expanding its business in the healthcare segment in other markets or in other manners as the Board consider to be appropriate taking into account the then relevant circumstances of the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the PSA, the transactions contemplated thereunder and the Disposal are normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors had any material interest in the PSA, the transactions contemplated thereunder, and the Disposal and therefore none of them was required to abstain from voting for the relevant board resolutions to approve the PSA and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

The Group has not engaged in any previous transactions which were related to the transactions contemplated under the PSA which would otherwise require aggregation under Rule 14.22 or Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Since, as the date of the PSA and prior to the Completion, the Purchaser was interested in 49% of the equity interest in SHR, which was then an indirect non-wholly-owned subsidiary of the Company, the Purchaser is considered as a connected person of the Company at the subsidiary level, and thus the Disposal constitutes a connected transaction of the Company.

Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Board has approved the Disposal and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the PSA and the transactions contemplated thereunder are fair and reasonable, the transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

However, being a major transaction of the Company, the Disposal is still subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company has obtained a written Shareholder's approval on 27 June 2019 from Tian Yuan Manganese Limited (formerly known as China Tian Yuan Manganese Limited), a controlling Shareholder who directly holds and is beneficially interested in 249,539,294 Shares, representing approximately 62.54% of the issued share capital of the Company as at the Latest Practicable Date, for approving the PSA and the transactions contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company will be held for the approval of the PSA and the transactions contemplated thereunder.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the PSA are fair and reasonable and are in the interests of the Company and its Shareholders as whole. If a general meeting were to be convened for the approval of the Disposal and the transactions contemplated under the PSA, the Board would have recommended the Shareholders to vote in favour of the resolution to approve the Disposal and the transactions contemplated under the PSA at such general meeting.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2019 and audited consolidated financial statements of the Group for the years ended 31 December 2018, 2017 and 2016 together with the relevant notes thereto are set out on pages 11 to 38 of the interim report of the Company for the six months ended 30 June 2019, pages 41 to 143 of the annual report of the Company for the year ended 31 December 2018, pages 41 to 127 of the annual report of the Company for the year ended 31 December 2017 and pages 36 to 104 of the annual report of the Company for the year ended 31 December 2016 respectively, which are specifically incorporated by reference in, and form part of, this circular.

The interim report of the Company for the six months ended 30 June 2019 and the annual reports of the Company for the years ended 31 December 2018, 2017 and 2016 have been published and are available on the Company's website (http://www.merrillifn.com/IR/company.php?ref=13) and on the website of the Stock Exchange (http://www.hkex.com.hk) as follows:

– the 2016 annual report of the Company for the year ended 31 December 2016 (available at https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0428/ltn20170428101.pdf);

– the 2017 annual report of the Company for the year ended 31 December 2017 (available at https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0430/ltn20180430474.pdf);

– the 2018 annual report of the Company for the year ended 31 December 2018 (available at https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn201904301701.pdf);

– the 2019 interim report of the Company for the period ended 30 June 2019 (available at https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0930/2019093000459.pdf).

2. INDEBTEDNESS OF THE GROUP

As at 31 October 2019, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any other debt securities issued and outstanding, and authorised or otherwise created but unissued, or any outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts and liabilities under acceptance (other than intra-group liabilities and normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, finance leases, hire purchase commitments (whether guaranteed, unguaranteed, secured or unsecured), guarantees, debt securities issued and outstanding or other contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group and its internal generated funds and also the effect of the Disposal, the Group has sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board was not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND BUSINESS PROSPECTS

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 aims to substantially increase the proportion of revenue from the healthcare and related business while improving the absolute amount of the income derived from other principal businesses of the Group, namely its provision of hospitality services, securities and fund investment, money lending business and related business and investment holding. For more details on the potential development in this business segment, please refer to the section "REASONS FOR AND BENEFITS OF ENTERING INTO THE PSA" in the letter from the Board included in this circular.

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). 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.

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 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.

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF SCEPTRE HOSPITALITY RESOURCES, LLC AND ITS SUBSIDIARIES (THE "DISPOSAL GROUP")

To the directors of China Tian Yuan Healthcare Group Limited

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 17 December 2019 prepared by Valtech Valuation Advisory Limited in respect of the appraisal of the fair value of the 51% equity interests in the Disposal Group as at 26 June 2019 is based. The Valuation is in connection with the disposal of 51% equity interests in the Disposal Group by China Tian Yuan Healthcare Group Limited (the "Company") as set out in the Company's Circular dated 20 December 2019 (the "Circular"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Disposal Group.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows has been properly compiled in all material respects in accordance with the Assumptions made by the directors of the Company.

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong, 20 December 2019

The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre,
1 Harbour View Street,
Central, Hong Kong

20 December 2019

Dear Sirs,

Re: Major and Connected Transaction-Disposal of 51% Equity Interest in a Subsidiary

We refer to the determination of market value of Sceptre Hospitality Resources, LLC ("**SHR**") dated 17 December 2019 (the "**Valuation Report**") prepared by Valtech Valuation Advisory Limited (the "**Valtech**") in relation to the valuation of SHR as at 26 June 2019 (the "**Valuation**"). The Valuation was performed based on the market approach and income approach which taken into account the discounted cash flow forecast of SHR Group, (the "**SHR Group Forecast**"), and therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed and considered the SHR Group Forecast including the bases and assumptions upon which the SHR Group Forecast was based and reviewed and considered the Valuation for which Valtech is responsible. We have also considered the report dated 20 December 2019 from PKF Hong Kong Limited, so far as the calculations are concerned, whether the SHR Group Forecast have been properly complied in all material respects in accordance with the bases and assumptions adopted by the Valtech as set out in the Valuation. We have noted that the SHR Group Forecast in the Valuation are mathematically accurate.

On the basis of the foregoing, we are of the opinion that the SHR Group Forecast prepared by the Valtech has been made after due and careful enquiry.

Yours faithfully,

By Order of the Board
China Tian Yuan Healthcare Group Limited

Zhang Xian
Chief Executive Officer

The following is the text of a valuation report, prepared for the purpose of incorporation in this document received from Valtech Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 26 June 2019 of the Subject of the Valuation.

Valtech Valuation Advisory

Valtech Valuation Advisory Limited
Room 2106, 21/F, Futura Plaza
111-113 How Ming Street, Kwun Tong, Hong Kong
T: +852 2388 9262
F: +852 2388 2727
www.valtech-valuation.com

17 December 2019

Board of Directors
China Tian Yuan Healthcare Group Limited
Room No 1120 – 1126, 11/F,
Sun Hung Kai Centre,
30 Harbour Road, Wanchai,
Hong Kong

Dear Sir/Madam,

MARKET VALUE OF 51% EQUITY INTEREST IN SCEPTRE HOSPITALITY RESOURCES, LLC

Valtech Valuation Advisory Limited ("Valtech Valuation") has been engaged by China Tian Yuan Healthcare Group Limited (the "Company") to determine the Market Value of 51% equity interest in Sceptre Hospitality Resources, LLC ("SHR, LLC" or the "Target Company") and its wholly owned subsidiaries (collectively referred to as the "SHR Group") (the "Subject of Valuation") as at 26 June 2019 ("Valuation Date") for management's evaluation of a negotiated transaction and the Company's public disclosure.

Our conclusion of value and related assumptions are supported substantially by the information provided to us by the management of the SHR Group and the Company (collectively referred to as the "Management"). We understand that our conclusion of value and related analyses will be referenced by the Company solely for the stated purpose. Our conclusion of value and related analyses should not be referenced by the Company or any users for reasons beyond the stated purpose without our further written consent.

Our conclusion of value and related valuation work are subject to the Section 15 – Statement of Limiting Conditions of this report. Our conclusion of value has followed the Market Value definition as stipulated in the International Valuation Standard (2017), premised on the Subject of Valuation being utilised in its Highest and Best Use.

We have relied on various operating and financial information provided by the Management, its representatives or agents. Without being engaged and instructed to compile, review or investigate the said information which is the expertise of the audit and assurance profession, we have made no investigation of, and have expressed no opinion or any form of assurance on whether the historical and prospective financial information are established in accordance with the generally accepted accounting principles and international standards. As such we assume no responsibility for, the titles to or liabilities against the Subject of Valuation in relation to the accuracy of the various operating and financial information.

Our conclusion of value does not constitute, nor shall they be construed to be an investment advice or an offer to invest. Prior to making any decisions on any investments, a prospective investor should independently consult with their own investment, accounting, legal and tax advisers to critically evaluate the risks, consequences, and suitability of such investment. Our conclusion of value should only serve the stated purpose in this report. We accept no liabilities arising from any unauthorised use of our report.

1. PURPOSE OF ENGAGEMENT

Valtech Valuation has been engaged by the Company to determine the Market Value of 51% equity interest in the SHR Group as at the Valuation Date for management's evaluation of a negotiated transaction and the Company's public disclosure.

2. STANDARD AND BASIS OF VALUE

This valuation was prepared on the basis of Market Value. In accordance with the International Valuation Standards (2017) published by International Valuation Standards Council, Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

3. PREMISE OF VALUE

A Premise of Value or Assumed Use describes the circumstances of how an asset or liability is used. Different bases of value may require a particular Premise of Value or allow the consideration of multiple Premises of Value. Some common Premises of Value are:

- **Highest and Best Use:** is the use that would produce the highest and best use for an asset, and it must be financially feasible, legally allowed and result in the highest value;

- **Current Use/Existing Use:** is the current way an asset, liability, or group of assets and/or liabilities is used, maybe yet not necessarily the highest and best use;

- **Orderly Liquidation:** describes the value of a group of assets that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser/(s), with the seller being compelled to sell on an as-is, where-is basis; and

- **Forced Sale:** is in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence.

After having reviewed all background and financial information and taken into consideration all relevant facts, the Subject of Valuation should be valued on a Highest and Best Use premise.

Given the Subject of Valuation represents a 51% controlling interest in the SHR Group, we have evaluated the SHR Group from a controlling interest's perspective, where the potential value of the underlying business can be evaluated as a whole, and a pro-rata 51% share of interest can be fully accrued to its existing or prospective holder without a further Discount for Lack of Control.

4. SOURCE OF INFORMATION

We have received the following information on the SHR Group by means of continued discussions with the Management and receipt of relevant documents from the Management as follows:

- Obtained a 5-year financial projection ("Financial Projection") of the SHR Group as of the Valuation Date;

- Obtained the unaudited financial statements of the Target Company and its wholly owned subsidiaries for the year ended 31 December 2016, 31 December 2017 and 31 December 2018 and for the six months ended 30 June 2019;

- Obtained company and business overview of the Target Company.

We have further obtained publicly available information to form our bases of professional judgments, including but not limited to several renowned capital market databases, industry reports, financial data of the publicly traded companies.

5. THE SHR GROUP

Headquartered in Houston, Texas, with offices in Europe and Asia-Pacific, the SHR Group, is a leading provider of technology that helps hotels optimise their revenue generation strategies. With a history of innovation starting with Windsurfer® CRS, the SHR Group serves thousands of properties around the globe with CRS, booking engine, and revenue management technology and services. This includes an evolving suite of artificial intelligence (AI)-driven solutions, ranging from high-level distribution to intricate guest management.

Since the creation of SHR, LLC, in 2012 after a combination of the operations and businesses of the previous Sceptre, Inc. and of Whiteboard Labs, LLC, the SHR, LLC and its wholly owned subsidiaries have experienced significant growth. SHR Group's revenue has risen from US$3.7 million in 2012 to US$11.6 million in 2018. For the 6 months ended 30 June 2019, the SHR Group's half-year revenue has risen to US$7.2 million.

As at 26 June 2019, SHR, LLC holds the following 4 subsidiaries.

- 100% equity interest in Sceptre Hospitality Resources, Pte Ltd (Singapore)
- 100% equity interest in Sceptre Hospitality Resources Europe, S.L. (Europe)
- 100% equity interest in Kootae Labs, S.L. (Europe)
- 100% equity interest in Cross-Tinental S.L. (Europe)

To further clarify SHR Group's holding structure on our conclusion of value, Market Value of 51% in the SHR, LLC shall exactly equal to the 51% in the SHR Group.

6. ECONOMIC OVERVIEW

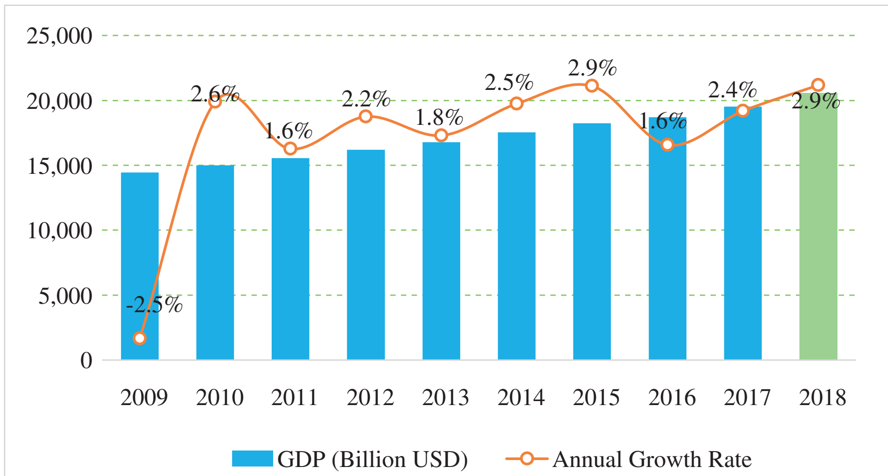
The SHR Group has primarily generated its revenue from the United States ("US"). In the following section, we have analyzed the current economic conditions of the US and its potential impact on our conclusion of value.

Despite facing challenges at the domestic level along with a rapidly transforming global landscape, the US is still the largest and most important economy in the world. The US economy represents about 20% of total global output and features a highly developed and technologically advanced services sector, which accounts for about 80% of its output. The US economy is dominated by service-oriented companies in areas such as technology, financial services, healthcare and retail. Large US corporations also play a major role on the global stage, with more than a fifth of companies on the Fortune Global 500 coming from the United States. Even though the services sector is the main engine of the economy, the US also has an important manufacturing base, which represents roughly 15% of output. The US is the second largest manufacturer in the world and a leader in high-value industries such as automobiles, aerospace, machinery, telecommunications and chemicals. Economic growth in the United States is constantly being driven forward by ongoing innovation, research and development as well as capital investment.

Gross Domestic Production

Economic growth in the US maintained momentum in the first half of the year. Although investment remained sluggish, employment and consumption were buoyant. The Gross Domestic Production ("GDP") growth rate has been slightly decreasing since its peak value of 2.95% in 2015 for the recent ten years. According to World Economic Outlook Database published by International Monetary Fund ("IMF") in October 2019, the growth rate of GDP in 2018 was recorded at 2.9% and expected to moderate to 2.4% and 2.1% in 2019 and 2020 respectively. The projected slowdown in 2019 and beyond is a side effect of the trade war, a key component of Trump's economic policies.

GDP Growth in US from 2009 to 2018



Source: IMF World Economic Outlook Database, October 2019

Forecasts of GDP Growth of US from 2019 to 2024

	2019F	2020F	2021F	2022F	2023F	2024F
GDP (Billion US$)	21,439.5	22,321.8	23,180.3	24,013.8	24,881.4	25,793.4
Annual Growth of GDP (%)	2.35	2.09	1.75	1.56	1.58	1.62

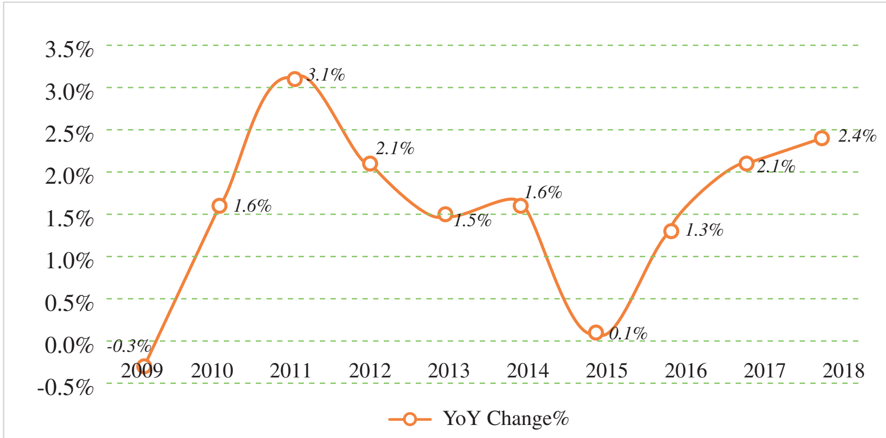
Source: IMF World Economic Outlook Database, October 2019

The economy has been recovering slowly yet unevenly since the depths of the recession in 2009 and has received further support through expansionary monetary policies. This includes not only holding interest rates at the lower bound, but also the unconventional practice of the government buying large amounts of financial assets to increase the money supply and hold down long-term interest rates – a practice known as "quantitative easing".

Inflation & Monetary Policy

Consumer price inflation, as measured by the 12-month change in the price index for personal consumption expenditures, moved down from a little above the Federal Reserve's objective of 2% in the middle of last year to a rate of 1.5% in May. The 12-month measure of inflation that excludes food and energy items (so-called core inflation), which historically has been a better indicator than the overall figure of where inflation will be in the future, was 1.6% in May – down from a rate of 2% from a year ago.

Inflation Evolution of US from 2009 to 2018



Source: IMF World Economic Outlook Database, October 2019

Inflation Forecasts of US from 2019 to 2024

	2019F	**2020F**	**2021F**	**2022F**	**2023F**	**2024F**
Inflation YoY Change %	1.82%	2.27%	2.43%	2.34%	2.30%	2.29%

Source: IMF World Economic Outlook Database, October 2019

The US Congress has established that the monetary policy objectives of the Federal Reserve are to promote maximum employment and price stability in what is known as the "dual mandate". The Federal Open Market Committee ("FOMC") is the Fed's monetary policymaking body. The FOMC meets about eight times a year to discuss developments and the outlook for the US economy and to debate different policy options, including the level of interest rates. The federal funds rate, the main interest rate managed by the Fed, is the rate which deposit banks charge each other to trade funds overnight in order to maintain reserve balance requirements. The federal funds rate is one of the most important in the US economy because it influences all other short-term interest rates. In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided in the recent October meeting to lower the target range for the federal funds rate to 1-1/2 to 1-3/4 percent. This action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective are the most likely outcomes, but uncertainties about this outlook remain. The Committee will continue to monitor the implications of incoming information for the economic outlook as it assesses the appropriate path of the target range for the federal funds rate.

The US dollar is often referred to as the world's currency because it is by far the most used currency in international transactions and also the most widely held reserve currency. Almost two-third of currency reserves held throughout the world are in US dollars. Although the Treasury Department has the primary authority to oversee international financial issues, the Treasury's decisions regarding foreign exchange are made in consultation with the Federal Reserve. However, US intervention in the foreign exchange market has become increasingly less frequent. US authorities typically let the open foreign exchange market and domestic monetary policies determine rates.

US Dollar Index Evolution, 2008 – 2019

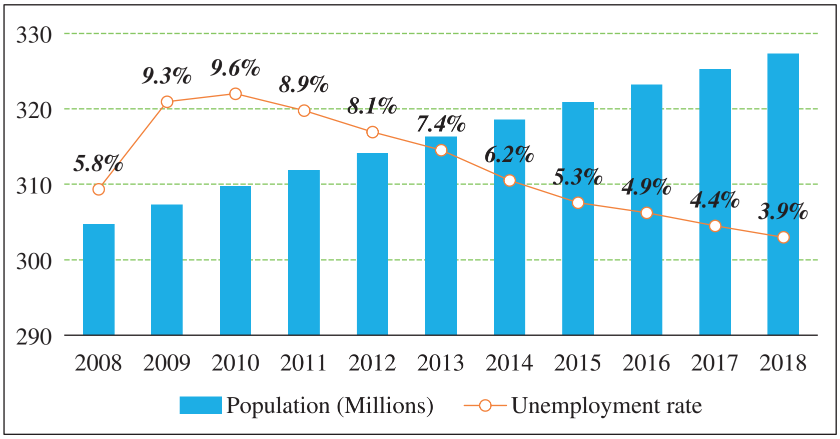
Source: Bloomberg

Population & Unemployment

The population of US has grown steadily from 305 million in 2008 to 327 million in 2018 with a CAGR of 0.7%, while the unemployment rate has moderated to 3.9% in 2018 after reaching the peak of 9.6% recorded in 2010. According to latest release from by the Bureau of Labor Statistics ("BLS"), the labor market of US has continued to strengthen. Over the first five months of 2019, payrolls (representing the count of employment) increased at an average of 165,000 per month. This rate is down from the average pace of 223,000 in 2018, but it is faster than what is needed to provide jobs for new entrants into the labor force. The unemployment rate moved down from 3.9% in December to 3.6% in May; meanwhile, wage gains have remained moderate.

The BLS publishes an occupational outlook each decade. It goes into great detail about each industry and occupation. Overall, the BLS expects total employment to increase by 20.5 million jobs between 2010 and 2020. While 88% of all occupations will experience growth, the fastest growth will occur in healthcare, personal care and social assistance, and construction. The BLS assumes that the economy will fully recover from the recession by 2020 and that the labor force will return to an unemployment rate of 4% to 5%. The most significant growth in payrolls, forecasted at 5.7 million jobs, will occur in healthcare and other forms of social assistance as the American population ages.

Population and unemployment rate in US from 2008 to 2018



Source: IMF World Economic Outlook Database, October 2019

Forecasts of Population and Unemployment Rate in US, 2019 – 2024

	2019F	2020F	2021F	2022F	2023F	2024F
Population (Millions)	329.3	331.1	332.8	334.6	336.4	338.3
Unemployment rate	3.7	3.5	3.5	3.6	3.7	3.9

Source: IMF World Economic Outlook Database, October 2019

Economy Challenges

In the near term, while the labor market has recovered significantly and employment has returned to pre-crisis levels, there is still widespread debate regarding the health of the US economy. In addition, even though the worst effects of the recession are now fading, the economy still faces a variety of significant challenges going forward. Deteriorating infrastructure, wage stagnation, rising income inequality, elevated pension and medical costs, as well as the recent trade tensions with China, large current account and government budget deficits, are all issues faced by the US economy.

7. INDUSTRY OVERVIEW

The SHR Group has been primarily generated its revenue from provision of hotel and hospitality management software in the US. In the following section, we have analyzed the current industry conditions of the industry and its potential impact on our conclusion of value.

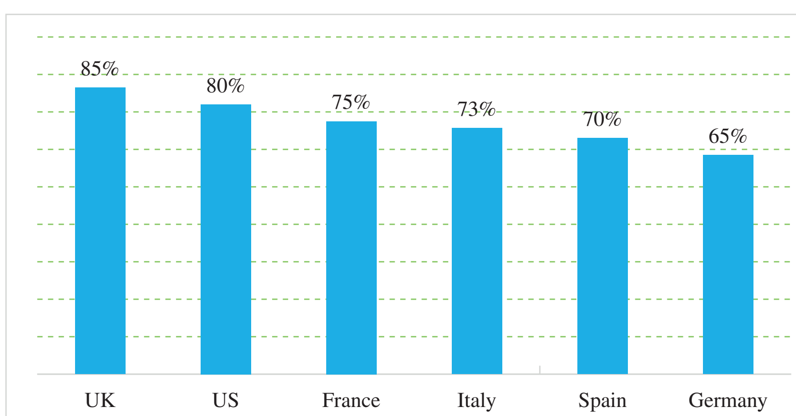
Hotel and hospitality management software ("HMS") is technology that allows hotel operators and owners to streamline their administrative tasks and increase their bookings in both the short-and long-term. The rapidly changing trends in consumer behaviour and technology are expected to open new markets and opportunities. HMS helps hotels perform daily operations, such as managing reservations, the point of sale transactions, check-in guests, and coordinating housekeeping, as well as enhancing the guest experience using customer relationship management ("CRM"). Currently, it has become crucial for the hotel and hospitality industry to improve its services for the tourism. The rapid growth in the tourism and hospitality industry has played a major role in driving the hotel and hospitality management software market. An increased adoption of the hotel and hospitality management software is expected in the coming years owing to the increasing need to minimize the expenditure and the operational costs. According to a report published by Zion Research, the global hotel and hospitality management software market was expected to grow at a CAGR of over 6.5% between 2017 and 2022 and reach approximately US$4,300 million by 2022[1].

Market Size by Product Segments of Hospitality-Tech Market as at 2018

Products under Hospitality-Tech Market	Market Size *(US$ M)*
Digital Marketing Services	1,700
Full-Service Property Management Systems ("PMS")	1,100
Distribution	900
CRM	700
Limited-Service PMS	500
Business Intelligence	300

Source: Phocuswright's US Online Travel Overview Seventeenth Edition – Hotel & Lodging

Estimated Global Hospitality PMS Penetration, 2018



Source: Grant Thornton

The hotel & hospitality management software market could be divided by product type, hotel type, deployment model and service system.

1 *Source: https://www.researchandmarkets.com*

By product type, the HMS software market is divided into segments of Central Reservation System ("CRS"), channel manager, booking engine, digital services, property management and others. A hotel CRS constitutes of various modules including reservation, profiles, groups and blocks, rate and inventory control, administration, reporting, global distribution interface, and PMS interface. As technology continues to advance, big data and smart algorithms technology allow the CRS to deliver geo-targeted pricing and personalization such as delivering unique one-to-one pricing to individual travelers.

By hotel type, the market is divided into segments of business hotel, resorts and spas, boutique hotel, and others. The hotels offer easy accessibility, Wi-Fi, and quick check in/out procedures, complimentary newspapers, and free local telephone calls. Hotel and hospitality management software provides exceptional service to satisfy the demands of today's corporate travelers. It enables a seamless check-in and check-out process, easy to navigate, offers corporate rate logins, upgrades, and loyalty options to the business travelers. Hotel and hospitality management software provides solutions to fulfill the specific needs of resort and spa businesses.

By deployment model, the HMS software market is bifurcated by on-premise, and on-cloud. On-premise software is generally priced under a one-time license fee which is based on the number of users and organization size. There is capital investment in hardware and upfront license fee for software support, training, and updates. However, on-premise hotel and hospitality software enables a higher level of customization, offers greater control over data.

By service system, the HMS software market is segregated by system and integration, professional service, managed service, other. Hotel property management systems integration provides an easy way for hoteliers to use all of the data collected by the system and enable them to deal with pricing, promoting, segmenting according to demand. Additionally, by integrating with other solutions, hoteliers can access to reports, analytics, guest reviews, and ratings, which enable them to enhance hotel service and drive in more guests. Professional service solution increases operational efficiency, enhances the guest experience and generates more revenue for the hotels. It supports all variety of processes from point-of-sale ("POS") activities to operations in the central office from the preparation of menus and recipes to tracking order statuses. Managed services constantly monitor the stability and security of hotels IT network for maximum uptime in all locations without increasing in-house IT staff.

In view of the future prospect, several hospitality trends are expected to drive technology initiatives at hotel companies and shape the industry:

- **Big data and CRM.** Today's guests interact with hotels from a large number of contact points, like review sites, social media, messaging apps, etc. CRMs will have to process data from all sources and present a useful profile of every guest. The use of this data will no longer be confined to a few sales and marketing staff, but it will have to be disseminated throughout all departments to enhance the guest's journey.

- **Mobile and Predictive Apps.** These combine to offer location-aware, personalized recommendations to guests. Mobile is obviously not new, but the capabilities of devices, like Augmented Reality, combined with the use of predictive algorithms will begin to meaningfully enhance the guest experience as he/she explores not only the hotel, but a destination.

- **AI and Conversational Marketing.** The way we interact with data-driven applications is changing, and hotel reservations is an area that presents a great fit for leveraging bot and AI driven automated "conversations" with guests or potential guests at each step of the booking or full-stay journey. In the reservations area, a chatbot can be integrated with CRS to help room shoppers get immediate answers, book a room, or manage an existing reservation.

- **Blockchain.** This may not affect the industry in 2018, but the technology certainly has the potential to create more direct opportunities for hotels to transact with guests or for individuals to transact with other individuals directly. It is early in the process and we continue to monitor this space.

- **Users Regain Control of their Personal Data.** The passing of legislation in Europe mandating new standards of privacy will swing the pendulum in favor of the individual when it comes to the use of their private data. The General Data Protection Regulation ("GDPR") is redefining how technology companies treat user data and how the user is empowered to release private data to vendors as they see fit. This brings a new layer of complexity to profile management.

8. VALUATION METHODOLOGY

Based on the IVS 2017, values of any business interests can be evaluated under the following 3 common approaches. To ensure the appropriateness of the selected approach(es), we have reviewed all the 3 approaches and selected the most relevant and reliable approach(es) given the facts and circumstances.

8.1 Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

We have reviewed and rejected the Cost Approach due to the following reasons:

- Market participants would NOT be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could NOT be recreated quickly enough that a participant would be willing to pay a significant premium for the ability to use the subject asset immediately, and

- The asset is directly income-generating and the unique nature of the asset makes using an income approach or market approach feasible.

8.2 Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

We have reviewed and accepted the Income Approach due to the following reasons:

- The income-producing ability of the asset is the critical element affecting value from a participant perspective, and

- Reasonable projections of the amount and timing of future income are available for the subject asset.

8.3 Market Approach

The Market Approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. The Market Approach can be conducted under 2 common methods, namely the Guideline Publicly Traded Comparable Method and Comparable Transactions Method.

The Guideline Publicly Traded Comparable Method utilises information on publicly-traded comparables that are the same or similar to the subject asset to arrive at an indication of value. The Comparable Transactions Method, also known as the Guideline Transactions Method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

We have reviewed and accepted the Market Approach due to the following reasons:

- The subject asset or substantially similar assets are actively publicly traded, and

- There are frequent and/or recent observable transactions in substantially similar assets.

8.4 Selected Approach(es)

Based on the above considerations, we have accepted both the Income Approach and Market Approach as the principal approaches underlying our valuation analysis and conclusion of value. The following exhibit summarises our selection and rejection reasons of the 3 common approaches.

Summary of Selected Approaches and Reasons

Approaches	Application	Summarised Reasons
Cost Approach	Rejected	Not able to recreate the Subject of Valuation quickly with substantially the same utility. The asset is directly income-generating.
Income Approach	Accepted	The income-producing ability of the asset is the critical element affecting value. Reasonable projections of the amount and timing of future income are available for the Subject of Valuation.
Market Approach	Accepted	The Subject of Valuation's similar assets are actively publicly traded. There are frequent and/or recent observable transactions in the said similar assets.

9. GENERAL ASSUMPTIONS

The following general assumptions have been made to sufficiently support the valuation analysis and the conclusion of value.

- There are no material adverse changes in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where the SHR Group currently operates in and in the new markets that the SHR Group may potentially expand into as proposed by the Management;
- There are no material adverse changes in industry demand and/or market conditions;
- There are no material adverse changes in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of the SHR Group;
- There are no material adverse changes in the current laws of taxation in those countries in which the SHR Group operates in or the SHR Group may potentially operate in;

- All relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by the SHR Group under the normal course of business;

- Revenue projections and future business potential generated from the SHR Group are expected to largely conform to those as forecasted by the Management, and future revenue growth for the SHR Group would not deviate significantly from its industry range.

- The SHR Group will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; and

- Trademarks, patents, technology, copyrights and other valuable technical and management know-how will not be infringed in countries/regions where the SHR Group is or will be carrying on business.

10. APPLICATION OF THE INCOME APPROACH

10.1 Principle of Discounted Cash Flows

The valuation of the Subject of Valuation under the income approach is being performed by using the discounted cash flows ("DCF") method. The net cash flows from the Subject of Valuation are first estimated based on inputs of various assumptions, including but not limited to the projected revenue and costs, working capital and capital expenditure requirements. The discount rate(s) are determined to bring the projected net cash flows back to their present values based on their levels of risks and uncertainties.

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \dots + \frac{E_n}{(1+k)^n}$$

PV	=	Sum of present value of the expected economic income as at the Valuation Date
E_1, E_2, E_3, etc.	=	Expected economic income in the 1st, 2nd, 3rd periods, and etc.
E_n	=	Expected economic income in the last period
k	=	Discount Rate

The present value of the discounted cash flows represents the enterprise value ("EV") or equity value of the Subject of Valuation.

The Financial Projection and related assumptions contained in our analysis were prepared by the Management of the SHR Group. We have reviewed the validity and reasonableness of the Financial Projection and have directly adopted the Financial Projection without significant adjustments in our analysis. The nature and underlying rationale of the Financial Projection will be discussed hereinafter.

10.1.1 Revenue

We have applied the five-year consolidated Financial Projection of the SHR Group. Beyond the projection period, a terminal value is derived based on a perpetual growth of 2.2%, being the long term US inflation forecast. The revenue projection is based on expected organic growth and new business lines recently acquired or incorporated. In 2019H1, the SHR Group has recorded a 35.9% increase in revenue compared to 2018H1. In terms of revenue component, SHR, LLC has historically contributed to about 95% of the SHR Group's revenue.

(US$'000)	**2018A**	**2019H1**	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
Revenue	11,575	7,208	14,417	17,119	20,933	24,072	26,480

The historical and projected revenue growth rates of the SHR Group is as follows. The projected growth rates are extrapolated from the high historical growth rates of SHR Group.

	2018A	**2019H1**	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
Growth	23.0%	35.9%	24.6%	18.7%	22.3%	15.0%	10.0%

10.1.2 Cost of Sales

The cost of sale and operating expenses are primarily costs of developing and maintaining the hospitality resources software. The cost of sales projection is based on cost margin with reference to historical trends.

(US$'000)	**2018A**	**2019H1**	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
Cost of Sales	(1,703)	(984)	(1,968)	(2,739)	(3,500)	(4,092)	(4,502)

The historical and projected gross margins of the SHR Group is as follows:

(US$'000)	**2018A**	**2019H1**	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
Gross Margin	9,872	6,225	12,449	14,380	17,433	19,980	21,978
% Gross Margin	85.3%	86.4%	86.4%	84.0%	83.3%	83.0%	83.0%

10.1.3 *Operating Expenses*

The operating expenses are primarily payroll and related, selling and marketing and other operating expenses. The operating expenses projection are made with management estimation with reference to historical trends.

(US$'000)	**2018A**	**2019H1**	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
Payroll	(8,683)	(4,319)	(8,638)	(10,450)	(10,916)	(12,553)	(13,809)
Selling and marketing	(144)	(52)	(104)	(300)	(350)	(403)	(443)
Other operating expenses	(2,913)	(1,622)	(3,244)	(3,063)	(3,526)	(4,054)	(4,460)
Total	(11,740)	(5,993)	(11,986)	(13,813)	(14,792)	(17,010)	(18,712)

The historical and projected EBITDA of the SHR Group is as follows:

(US$'000)	**2018A**	**2019H1**	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
EBITDA	(1,867)	231*	463	567	2,641	2,970	3,267
% EBITDA	(16.1%)	3.2%	3.2%	3.3%	12.6%	12.3%	12.3%

* In 2019H1, the SHR, LLC alone has contributed a positive EBITDA of US$407,791, while the remaining 4 subsidiaries have contributed a negative EBITDA of US$176,509 during their respective start-up growth stages.

10.1.4 *Corporate Income Tax Rate*

An effective tax rate of 21% is adopted, with reference to US' corporate tax rate.

10.1.5 *Depreciation and Amortization Expenses*

Depreciation and amortization expenses represent the annual charges to property, plant, and equipment and intangible assets. The annual expenses are determined based on the assets' remaining useful lives of around 5 years. Amortisation expenses arisen from purchase price allocations are projected separately, based on the intangible assets' (consolidated level) expected useful lives.

(US$'000)	**2018A**	**2019H1**	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
Depr & Amort	(274)	(203)	(394)	(581)	(662)	(759)	(524)
From PPA*	(595)	(307)	(575)	(535)	(535)	(268)	–
Total	(869)	(511)	(969)	(1,116)	(1,197)	(1,027)	(524)

* Arisen from purchase price allocation.

10.1.6 Capital Expenditure

Capital expenditures ("Capex") are projected to restore, retain and expand the production capacity of the company. Capex from 2020 are projected to be 2.1% of revenue, based on the historical average of the SHR Group's capital expenditures in the recent years. Current construction in progress is also estimated to be transferred to fixed assets at the end of 2019.

(US$'000)	**2018A**	**2019H1**	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
Capex	182	195	195	366	447	514	566

10.1.7 Increase in Net Working Capital

Increase in working capital investment represents the additional investment in accounts receivable, inventory and work-in-progress, accounts payable, projected based on their respective turnover days of 70 days, 0 day and 239 days respectively.

Other working assets represent investment in other current assets and other current liabilities, projected to be remain stable throughout the projection period.

(US$'000)	**2019F**	**2020F**	**2021F**	**2022F**	**2023F**
Increase in Net Working Capital	–	13	238	219	197

10.2 Discount Rate Assumptions

We have developed the discount rate, being the weighted average cost of capital, based on the following assumptions.

10.2.1 Cost of Equity

The cost of equity ("R_e"), the return a company's shareholders require to decide if an equity investment meets capital return requirements, was computed by us with reference to the available data and factors relevant to the economy and industry, in which SHR Group operates in. The Modified Capital Asset Pricing Model ("Modified CAPM") was adopted to calculate the cost of equity.

10.2.1.1 Modified Capital Asset Pricing Model

Modified CAPM, as applied to this valuation analysis, can be summarized as follows:

$$\mathbf{R_e = R_f + Beta \times ERP + RP_s + RP_u}$$

Where R_e: Cost of Equity;
R_f: Risk Free Rate;
Beta: A measure of systematic risk;
ERP: Equity Risk Premium;
RP_s: Size Premium; and
RP_u: Specific Company Adjustment

10.2.1.2 Risk Free Rate

The risk-free rate ("R_f"), the theoretical rate of return of an investment with zero risk, was determined with reference to the current yields on government bonds of the operating markets where the SHR Group is currently operated. Ideally, the duration of the security being used as an indication of the risk-free rate should match with the horizon of the projected cash flows being discounted, which is assumed to be perpetual for the SHR Group. We have adopted the United States Generic Govt 30Y Yield (USGG30YR Index) as $R_{f.}$

10.2.1.3 Equity Risk Premium

Equity risk premium ("ERP") is the excess return required by an equity investor to compensate him for taking on relatively higher equity risks above zero risk. The result was referenced to generally calculated ERPs for similar companies as published by the renowned Professor Aswath Damodaran of New York University, best known and famous as an author of several widely-used academic and practitioner texts on valuation, corporate finance and investment management. We have adopted the US ERP of 5.96%.

10.2.1.4 Selection of the Comparable Companies

The following 10 comparable companies were selected to allow us to compute the beta and determinate R_e. A general description of each of selected comparable companies has been complied as follows. The comparable companies are engaged in provision of hospitality-related software solution, or are operated in comparable business that are exposed to similar industry risks and macro-economic risks.

1. Agilysys Inc

Agilysys, Inc. develops application software. The Company specializes in point-of-sale, property management, inventory, procurement, mobile, and wireless solutions. Agilysys serves hospitality and retail industries worldwide.

2. NCR Corporation

NCR Corporation manufactures financial transaction machines and other products. The Company produces automated teller machines, self-checkout and self-service kiosks, point-of-sale workstations and scanners, as well as manufactures printer consumable products and manages networks and servers for ATMs and kiosks.

3. Pegasystems Inc

Pegasystems Inc. develops customer relationship management software. The Company automates customer interactions across transaction-intensive enterprises. Pegasystems provides its products to customers in the banking, mutual funds and securities, mortgage services, card services, insurance, healthcare management, and telecommunications industries.

4. PFSweb Inc

PFSweb Inc., provides management services for traditional commerce and electronic commerce companies. The Company offers order management, customer care services, billing, information management, and distribution services. PFSweb offers its management services to clients in a range of markets including apparels, electronics, and computer products.

5. Sabre Corp

Sabre Corporation provides technology solutions to the global travel and tourism industry. The Company offers tours and travel services, as well as online reservations for airlines, hotels, cruises, car rental companies, and vacation packages.

6. Amadeus IT Group SA

Amadeus IT Group SA processes transactions for the global travel and tourism industry. The Company offers transactions for airlines, hotels, rails, cruise lines and ferry operators, car rental companies, and tour companies.

7. Eagle Eye Solutions Group PL

Eagle Eye Solutions Group PLC operates in the e-commerce industry. The Company provides a digital platform that enables retailers to connect with customers to deliver offers, rewards and services that can be redeemed.

8. Travelsky Technology LTD-H

Travelsky Technology Limited provides information technology solutions for China's air travel and tourism industries. The Company provides electronic travel distribution systems, or ETD, in China, develops airport passenger processing and air cargo systems, owns and operates real-time network for China's civil aviation industry, and operates Internet-based travel platform.

9. Alliance Data Systems Corp

Alliance Data Systems Corporation provides data-driven and transaction-based marketing and customer loyalty solutions. The Company offers a portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing, consulting, analytics and creative, email marketing, private label, and co-branded retail credit cards.

10. MoneyOnMobile Inc

MoneyOnMobile, Inc. provides electronic payment processing solutions. The Company offers money transfer, mobile recharge, bills payment, train ticket booking, and online shopping payment services. MoneyOnMobile serves customers worldwide.

Source: Bloomberg

10.2.1.5 *Beta and Systematic Risk*

The beta coefficient is a measure of the systematic and undiversifiable risk of a security or a portfolio. Beta, when used in CAPM, is used to calculate the expected return of an asset based on its beta and expected market returns. We have obtained the betas of the comparable companies. The observed betas have been un-levered to remove the effects of financial leverage, and then the median un-levered beta has been re-levered.

#	Comparable Companies	Observed Beta	Un-Levered Beta
1	Agilysys Inc	0.95	0.95
2	NCR Corporation	1.44	0.86
3	Pegasystems Inc	1.17	1.17
4	PFSweb Inc	1.06	0.72
5	Sabre Corporation	1.19	0.83
6	Amadeus IT Group	0.80	0.73
7	Eagle Eyes Solution Group	0.95	0.95
8	Travelsky Technology Limited	1.11	1.11
9	Alliance Data Systems Corporation*	1.27	N/A
10	MoneyOnMobile Inc*	0.46	N/A
	Median	1.0877	0.9061

* Excluded due to Insufficient information on leverage or excessive leverage.

Source: Bloomberg

After re-levering the median un-levered beta by the market leverage ratio, the re-levered beta is determined to be 1.0992. Risks relating to SHR Group's higher leverage will be later captured by the Company Specific Premium.

10.2.1.6 Size Premium

Size premium ("RP_s"), over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In this valuation, we applied a size premium of in excess of the CAPM for companies classified as 9th – 10th Micro-cap in the United States. A size premium of 5.68% is adopted.

10.2.1.7 Company Specific Premium

Company specific premium ("RP_u") is the unsystematic risk attributable to the specific company and aims to account for any additional risk factors specific to this valuation. Firm specific risk factors may include abnormal competition, customer concentration, poor access to capital, thin management, lack of business diversification, potential environment issue, potential litigation, narrow distribution channels, obsolete technology and dim company outlook. A company specific premium of 5.00% is adopted to address for SHR Group's highly leveraged nature, its return volatility and competitive nature of the US and global hospitality industry.

10.2.1.8 Conclusion on Cost of Equity

As such, we proceed to apply the Modified CAPM formula to conclude the R_e.

Cost of Equity Conclusion

Risk-Free Return	2.57%
Beta	1.0992
Equity Risk Premium	5.96%
Size Premium	5.68%
Company Specific Premium	5.00%
Cost of Equity	19.80%

10.2.2 Cost of Debt

To estimate the R_d, we have referred to the actual short-term funding cost of approximately 5.00% of the SHR, LLC, adjusted by 1.00% for liquidity and term consideration to arrive the cost of debt at 6.00%.

10.2.3 Weighted Average Cost of Capital

WACC is a calculation of a business enterprise's cost of capital in which each category of capital is proportionately weighted. The determined WACC has taken into account the average leverage of the group of 10 comparable companies. We worked on the assumption that over time, and in order to stay competitive, the SHR Group's financial gearing will approach and converge to the average gearing (and so as WACC) of those companies listed in comparable companies table. After having determined the R_e and R_d, the calculation of the Company's WACC, or the discount rate, is illustrated as follows. The WACC will be adopted as the discount rate adopted under the Income Approach.

Weighted Cost of Capital Conclusion

Percentage of Interest-bearing Debt	26.96%
Cost of Debt	6.00%
Marginal Tax Rate	21.00%
Weighted Cost of Debt (a)	1.28%
Percentage of Equity	73.04%
Cost of Equity	19.80%
Weighted Cost of Equity (b)	14.46%
WACC (a) + (b)	15.74%
WACC (Rounded)	16.00%

10.3 Enterprise Value and Other Adjustments

The enterprise value of the Subject of Valuation is the sum of present value of the free cash flows to firm determined by the 5-year Financial Projection and the present value of the terminal value. The enterprise value is determined to be US$11,709,709, with an implied EV/EBITDA multiple of 25.3x (SHR Group) or 14.4x (SHR, LLC alone, excluding its subsidiaries). This implied EV/EBITDA multiple falls within the range of its industry peer after consideration of control, and thus is considered reasonable. Cash and cash equivalents, non-operating assets are added while external debts and non-operating liabilities are deducted to derive the equity interest of the SHR Group.

10.4 Conclusion of Value Based on Income Approach

Based on following table of computation, the Market Value of the 51% Equity Interest in the SHR Group as at the Valuation Date was **US$3,110,742**.

Conclusion of Income Approach

Market Value of 51% Equity Interest in the SHR Group (in US$)	**As at 26 June 2019**
Enterprise Value of SHR Group (Controlling Basis)	11,709,709
Less: Interest-bearing Debts	(5,648,815)
Less: Provision & Non-operating Liabilities	(463,492)
Add: Cash and equivalents under the SHR Group	56,183
Add: Excess and non-operating assets	445,909
Market Value of 100% Equity Interest in the SHR Group	6,099,494
Market Value of 51% Equity Interest in the SHR Group	3,110,742

11. APPLICATION OF THE MARKET APPROACH

11.1 Principle of Market Approach

Under the Market Approach, the value of the Subjects of Valuation can be determined based on its (i) Most Recently Traded or Transacted Prices, (ii) Guideline Publicly Traded Comparable companies' trading multiples and, (iii) Comparable Transactions' multiples. The three valuation methods under the Market Approach are further discussed and selected below.

11.1.1 Recent Traded or Transacted Prices

Recent Traded or Transacted Prices of the exact same subject asset can provide the most objective indication of value or valuation multiple of the subject asset. Reliance on recent prices is the most intuitive way of price discovery in the marketplace under ordinary situations. The method is usually applied to value publicly traded companies and private companies with recent funding rounds on an arm's length basis. Apart observing the traded and transacted prices, further analyses on market activity have to be carried out to determine whether the subject asset can be purchased or sold in the same manner as the observed recent trades and transactions in the current marketplace.

11.1.2 Guideline Publicly Traded Comparable Method

The Guideline Publicly Traded Comparable ("GPTC") Method derives value from observing the latest trading multiples of a sufficient pool of comparable GPTC companies ("GPTC Companies"). The GPTC Companies are selected based on their proximities to similar business models, geographic exposure, risks and future prospects. The trading multiples are determined from dividing the market capitalisations (or enterprise values) of the GPTC

Companies by some identified value-driving financial or industry-specific indicators, such as revenue, earnings before interest, taxes, depreciation, and amortization ("EBITDA"), net profit, book equity, as of the Valuation Date.

11.1.3 Comparable Transactions Method

The Comparable Transactions Method ("GTM") drives value from observing the acquisition multiples at which sizable stakes of the similar companies were transacted between independent and informed willing buyers and sellers. Similar to the GPTC Method, the GTM determines the acquisition multiples from dividing the considerations transferred in comparable acquisitions by the relevant value-driving financial or industry-specific indicators. Application of GTM is typically subject to further limitations:

- Limited occurrence of recent comparable transactions;
- Availability and quality of public disclosure on transactions between private investors; and
- Limited information on the arm's length nature of the transactions.

11.1.4 Concluded Method under the Market Approach

Given the above considerations, we have only accepted the Guideline Publicly Traded Comparable Method. The following exhibit elaborates our selection and rejection reasons of the 3 methods under the Market Approach.

Summary of Selected Methods and Reasons

Methods under Market Approach	Application	Reasons
Recent Traded or Transacted Prices	Rejected	No reliable recent trades and transactions identified.
Guideline Publicly Traded Comparable Method	Accepted	A reliable pool of GPTC companies identified with sufficient and reliable financial data disclosed.
Comparable Transactions Method	Rejected	No Reliable pool of comparable transactions identified with sufficient and reliable financial data disclosed.

11.2 Selection of the GPTC Companies

We exercised due care in the selection of the potential GPTC Companies by using multiple screening criteria in deciding whether the business model of a GPTC Companies is relevant. Our selection criteria and a list of the selected 10 GPTC Companies have been discussed in the previous section under the Income Approach.

11.3 Selection of the Valuation Metric(s)

Valuation metrics are typically presented as the market capitalisations or enterprise values over certain operating or financial results of the GPTC Companies. Once a valuation metric is selected and is computed based on the GPTC Companies, the Market Value of the Equity Interests can be subsequently computed by the following formula:

$$\text{Market Value} = \begin{array}{c}\text{Multiple of}\\\text{the Selected}\\\text{Valuation Metric}\end{array} \times \begin{array}{c}\text{Selected}\\\text{Operating}\end{array} / \begin{array}{c}\text{Financial}\\\text{Results}\end{array} +/- \text{Adjustments}$$

Given the widely varying capital structures of the GPTC Companies, we have only considered EV multiples, and rejected equity multiples, in order to provide reliable estimates on multiples. To select the most relevant and reliable EV multiples, we have first shortlisted both the EV/EBITDA and EV/Revenue Multiples as the potential candidates. We have computed and shown below the EV/EBITDA and EV/Revenue Multiples of the 10 GPTC Companies, based on their best available historical EBITDA and Revenue in the trailing 12 months as of the Valuation Date.

11.4 Summary Statistics of the Valuation Multiples

For EV/EBITDA, we have considered 4 observations as outliers due to 1) extremely large positive results and 2) negative observations. We have excluded the said 4 observations from the final sample. The final sample retains a list of 6 observations. For EV/Revenue, we have included all the 10 observations in the final sample.

Valuation Multiples of GTPC Companies

#	Company Name	Ticker	EV/EBITDA	EV/REVENUE
1	AGILYSYS INC	AGYS US	99.52 (Outlier)	3.25
2	NCR CORPORATION	NCR US	14.59	1.23
3	PEGASYSTEMS INC	PEGA US	(354.97) (Outlier)	6.20
4	PFSWEB INC	PFSW US	7.28	0.43
5	SABRE CORP	SABR US	9.85	2.33
6	AMADEUS IT GROUP SA	AMS SM	15.49	6.49
7	EAGLE EYE SOLUTIONS GROUP PL	EYE LN	(19.54) (Outlier)	2.86
8	TRAVELSKY TECHNOLOGY LTD-H	696 HK	10.39	4.19
9	ALLIANCE DATA SYSTEMS CORP	ADS US	12.02	4.46
10	MONEYONMOBILE INC	MOMT US	(0.8) (Outlier)	1.42

We have computed the summary statistics of the EV/EBITDA and EV/Revenue respectively in the following table. Based on the results, we have considered EV/EBITDA to be a significantly more reliable than the EV/Revenue, due to the facts that the 1) EV/EBITDA multiples form a relatively narrower interquartile range between 9.98x to 13.94x, and 2) EV/EBITDA multiples produce a much lower coefficient of variance. As such, we have adopted the EV/EBITDA multiple to form our basis on conclusion of value. EV/Revenue multiple, however, is being rejected for conclusion of value.

Summary Statistics

	EV/EBITDA	**EV/REVENUE**
Valid Number of Samples	6	10
High	15.49	6.49
Upper Quartile	13.94	4.39
Average (Adopted)	**11.60**	3.28
Median	11.20	3.06
Lower Quartile	9.98	1.64
Low	7.28	0.43
Standard Deviation	3.08	2.05
Coefficient of Variance	0.27	0.62

We have proceeded to re-check whether the range of EV/Revenue multiples can still serve the purpose of reasonableness check (instead of serving the purpose of concluding the value). Back to the principles and basics of the EV/Revenue, it tends to be positively correlated to the % EBITDA (i.e. EBITDA Margin, or EBITDA expressed as a percentage of revenue). Intuitively, a company with higher % EBITDA should naturally be traded at a higher EV/Revenue.

SHR, LLC's historical % EBITDA had been negative in FY2017 and 2018H1, and it has become slightly positive in 2018H2 and 6.1% in 2019H1. When compared to the % EBITDA of the 10 GPTC Companies in the same periods, SHR, LLC appeared to be on the low end in FY2017 and FY2018. As such, we have completely rejected to adopt the EV/Revenue Multiple for both purposes of concluding the value and further reasonableness check, due to the fact that the acceptance of any single low-end estimate is subject to a large estimation error, as the EV/Revenue can only be concluded from one or two observations (say, adopt the lowest 0.43x or the second lowest 1.23x) and hence cannot be benefitted from the principle of central tendency in statistics.

EV/Revenue against % EBITDA Margin

#	Company Name	EV/ REVENUE	FY2016/17 % EBITDA	FY2017/18 % EBITDA	FY2018/19 % EBITDA	3-year % EBITDA
1	AGILYSYS INC	3.25	0.3%	1.9%	3.3%	1.8%
2	NCR CORPORATION	1.23	14.4%	16.0%	8.1%	12.9%
3	PEGASYSTEMS INC	6.20	10.1%	13.4%	1.1%	8.2%
4	PFSWEB INC	0.43	3.7%	4.7%	5.5%	4.7%
5	SABRE CORP	2.33	25.9%	24.9%	25.2%	25.3%
6	AMADEUS IT GROUP SA	6.49	38.3%	40.4%	41.1%	39.9%
7	EAGLE EYE SOLUTIONS GROUP PL	2.86	(19.9%)	(23.3%)	(0.6%)	(14.6%)
8	TRAVELSKY TECHNOLOGY LTD-H	4.19	42.7%	45.3%	40.4%	42.8%
9	ALLIANCE DATA SYSTEMS CORP	4.46	24.9%	27.8%	30.6%	27.7%
10	MONEYONMOBILE INC	1.42	(251.8%)	n/a	n/a	n/a
	Upper Quartile	4.39	25.6%	27.8%	30.6%	27.1%
	Median	3.06	12.2%	16.0%	8.1%	10.5%
	Lower Quartile	1.64	1.2%	4.7%	3.3%	2.5%

Based on the above, we have completely rejected EV/Revenue and have solely accepted the EV/EBITDA in our valuation analysis. We have proceeded to adopt the average EV/EBITDA (i.e. 11.60x) as our basis of conclusion, before adjusting for the effects of net debts, excess assets, control and marketability issues.

11.5 Conclusion of Value Based on Market Approach

Based on following computation, the Market Value of the 51% Equity Interest in the SHR Group as at the Valuation Date was **US$3,065,431**.

Conclusion of Income Approach

Market Value of 51% Equity Interest in the SHR Group (in US$)		**As at 26 June 2019**
Selected Valuation Metric		EV/EBITDA
Adopted Multiple (Rounded to 2 Decimal Places)	Average	11.60 x
Annualized EBITDA of SHR, LLC *(Note 1)*		815,582
Enterprise Value of SHR, LLC on Marketable Non-controlling Basis		9,460,751
Less: Interest bearing external debts under SHR, LLC		(5,648,815)
Add: Excess cash and equivalents under SHR, LLC alone		2,046
Add: Net assets under the other wholly owned subsidiaries *(Note 2)*		937,895
Equity Value of the SHR Group on Marketable Non-controlling Basis		4,751,877
Add: Control Premiums *(Note 3)*	39.0%	1,853,232
Equity Interest in the SHR Group on Marketable Controlling Basis		6,605,109
Less: Discount for Lack of Marketability *(Note 4)*	9.0%	(594,460)
Equity Interest in the SHR Group on Controlling Basis after DLOM		6,010,649
Market Value of 51% Equity Interest in the SHR Group	51.0%	3,065,431

Note 1: Based on the actual EBITDA US$407,791 generated in the latest 6 months ended 30 June 2019 by SHR LLC.

Note 2: The other wholly owned subsidiaries include Sceptre Hospitality Resources, Pte Ltd (Singapore), Sceptre Hospitality Resources Europe, S.L. (Europe), Kootae Labs, S.L. (Europe) and Cross-Tinental S.L. (Europe), are all 100% directly or indirectly owned by the SHR Group.

Note 3: The basis of the adopted 39.0% Control Premium will be discussed under the following Section 12 – Control Premium.

Note 4: The basis of the adopted 9.0% Discount for Lack of Marketability will be discussed under the following Section 13 – Discount for Lack of Marketability.

12. CONTROL PREMIUM

The Control Premium is the additional value attached to the controlling interest, when compared to the non-controlling interest. The additional value reflects the economic potentials that are solely available to the holder of the controlling interest. The Control Premium can be empirically determined by observing the price difference between the traded prices of listed minority shares on stock exchanges and the announced transactions price of the same companies. The per-share price differences, being the acquisition prices over the traded prices of the listed shares, reflects the premium that the purchaser is willing to pay for controlling the economic entity.

We have adopted a Control Premium of 39% with reference to the 5-year average acquisition premium in the sector of Technology Services taken from the 2019 Mergerstat Review.

We have reviewed the reasonableness of the said 39.0% Control Premium by measuring the potential benefit of controlling the SHR Group. The revenue growth rates of SHR Group in FY2017, FY2018 and 6 months ended 30 June 2019 have been 14.6%, 23.0% and 35.9% respectively. These historical growth rates are among the high ends of the 10 GPTC Companies in the same periods. Suppose the high growth of SHR Group can be reasonably sustained and extrapolated into the near future, the intrinsic value of the controlling interest shall be valued significantly above the average multiple of 11.60x we applied when deriving the equity value of the SHR Group on a non-controlling basis. The 39.0% Control Premium can effectively capture this intrinsic value from sustaining the historical high growth into the future by under an efficient management.

Historical Revenue Growth of the 6 Valid Observations

#	Company Name	FY2016/17 Growth	FY2017/18 Growth	FY2018/19 Growth	3-year %CAGR
1	AGILYSYS INC		(Rejected)		
2	NCR CORPORATION	2.7%	(0.4%)	(1.7%)	0.2%
3	PEGASYSTEMS INC		(Rejected)		
4	PFSWEB INC	16.1%	(2.3%)	(0.2%)	4.2%
5	SABRE CORP	13.9%	6.7%	7.5%	9.3%
6	AMADEUS IT GROUP SA	14.3%	3.7%	6.4%	8.0%
7	EAGLE EYE SOLUTIONS GROUP PL		(Rejected)		
8	TRAVELSKY TECHNOLOGY LTD-H	13.7%	8.2%	11.0%	10.9%
9	ALLIANCE DATA SYSTEMS CORP	10.8%	8.1%	0.9%	6.6%
10	MONEYONMOBILE INC		(Rejected)		
	Upper Quartile	14.2%	7.8%	7.2%	9.0%
	Median	13.8%	5.2%	3.7%	7.3%
	Lower Quartile	11.6%	0.6%	0.1%	4.8%

13. DISCOUNT FOR LACK OF MARKETABILITY

The Discount for Lack of Marketability ("DLOM") is the adjustment to reflect the pricing disadvantage if a security is not publicly listed or is legally restricted from selling over a certain period. A readily marketable security would have a higher value than a non-marketable security, given the common observation that a marketable security can be marketed and sold to the next potential acquirers within a much shorter period. For example, publicly traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction.

We have adopted the Black-Scholes Option Pricing Model to derive the DLOM. Major assumptions are summarised as follows:

- Historical volatility of 33.61%, being the peer median of the GPTC Companies.
- Risk-free rate of 2.11%, being the US Generic Government 6 Month Yield.
- Time to maturity of 0.5 years, being the common time to market of a matured US business.

Hence, the DLOM is determined to be 9.0%.

14. SENSITIVITY ANALYSIS

We have conducted 2 sets of sensitivity analyses on the conclusion of values derived from the Income Approach and the Market Approach.

Under the Income Approach, we have identified the WACC and the Terminal Growth Rate as the two major inputs for further sensitivity analysis. Sensitivity of the Market Value against the 2 major inputs are analysed as follows.

Market Value of 51% Equity Interest in SHR Group (in US$)		Terminal Growth Rate				
		1.2%	1.7%	2.2%	2.7%	3.2%
	15.00%	3,258,894	3,434,654	3,624,145	3,829,043	4,051,304
	15.50%	3,022,843	3,184,189	3,357,666	3,544,695	3,746,931
WACC	16.00%	2,802,985	2,951,483	3,110,742	3,281,975	3,466,586
	16.50%	2,597,730	2,734,734	2,881,320	3,038,527	3,207,555
	17.00%	2,405,687	2,532,374	2,667,622	2,812,327	2,967,519

Under the Market Approach, we have identified the Control Premium and the EBITDA Multiple as the two major inputs for further sensitivity analysis. Sensitivity of the Market Value against the 2 major inputs are analysed as follows.

Market Value of 51% Equity Interest in SHR Group (in US$)		EBITDA Multiple				
		10.6x	11.1x	11.6x	12.1x	12.6x
Control Premium	29.00%	2,356,617	2,600,757	2,844,897	3,089,037	3,333,177
	34.00%	2,447,958	2,701,561	2,955,164	3,208,767	3,462,369
	39.00%	2,539,300	2,802,366	3,065,431	3,328,497	3,591,562
	44.00%	2,630,642	2,903,170	3,175,699	3,448,227	3,720,755
	49.00%	2,721,984	3,003,975	3,285,966	3,567,957	3,849,948

15. STATEMENT OF LIMITING CONDITIONS

- We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.

- The business interest and subject business assets have been valued free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exit.

- All information provided by the client and others is thought to be accurate. However, we offer no assurance as to its accuracy.

- Unless stated otherwise in this report, we have assumed compliance with the applicable local laws and regulations.

- Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the Subject of Valuation or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.

- The report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with our company.

- The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.

- The opinion of value expressed in this report does not obligate us attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been made previously.

- Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.

- This report is valid only for the date specified herein.

16. CONCLUSION ON VALUE

Valtech Valuation Advisory Limited has been engaged by China Tian Yuan Healthcare Group Limited to determine the Market Value of 51% equity interest in the SHR Group as at 26 June 2019. Based on our understanding of the SHR Group, its historical and projected financial statements provided by the Management, our conclusion of value is as follows:

Subject of Valuation	**Market Value of 51% Equity Interest in the SHR Group**
Conclusion of Income Approach	US$3,110,742
Conclusion of Market Approach	US$3,065,431
Conclusion of Value *(Note 1)*	US$3,088,000

Note 1: Our conclusion has been determined from an average of the conclusions from the 2 accepted approaches, rounded to the nearest US$'000.

Our conclusion of value has followed the Market Value definition as stipulated in the International Valuation Standard (2017), premised on the Subject of Valuation being utilised in its Highest and Best Use.

Our conclusion of value has been prepared under generally accepted valuation procedures and practices. We have relied extensively on the use of assumptions and references. These assumptions and references cannot be explicitly quantified or ascertained.

We hereby confirmed that Valtech Valuation, its director, employees and the engagement team, do not possess any interests in the SHR Group and the Company. By accepting this Valuation Report, the Company agrees to be bounded by our General Service Conditions.

Yours faithfully,
For and on behalf of
VALTECH VALUATION ADVISORY LIMITED

This Valuation Report has been prepared and analysed by the following engagement team:

Jimmy S.K. Wong, CPA, CFA, FRM, MFin, *Director of Valtech Valuation*
Keith Y.K. Lui, CFA, FRM, *Senior Manager of Valtech Valuation*

17. TEAM BIOGRAPHY

Jimmy S.K. Wong, *CPA, CFA, FRM, MFin (Investment Management)*

Jimmy has been serving his corporate clients on professional valuations, strategies and transfer pricing services since 2010. Before joining the industry of corporate valuation, he had served one of the Big 4 accounting firms. His consulting experiences include providing extensive valuation services for private capital investment funds, listed and private firms, state-owned enterprises for financial reporting, portfolio valuations, IFRS 9 compliance, IPO, transactions, strategic restructuring, fund raising, litigation and tax compliance purposes.

He has also participated in several mega-sized projects of multi-national conglomerates and state-owned enterprises, where he contributed to formulate and model the financial, valuation and transfer pricing aspects of the clients' Asia-pacific and global strategies. His industry exposure primarily covers the technology and social media, clean energy, financial services, consumer and industrial, utility and infrastructure, forestry and agriculture, and mining sectors. Jimmy has been was inducted as a Lifetime member of the Beta Gamma Sigma Honour Society.

Keith Y.K. Lui, *CFA, FRM*

Keith is a Bachelor of Science in quantitative finance and risk management science in university and has been working in the professional valuation field since 2013. Mr. Lui has been joining in business valuation industries for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions and financing since graduation. The scope of services includes business valuation, intangible asset valuation and financial instruments valuation.

He has participated in many representative projects, such as valuation of metal mining and processing in the PRC, oil and gas extraction in the United States and Canada, logistic hub in Singapore, container port in Brazil and household cleaning products in the United Kingdoms. He has provided valuation advisory services for private equity funds in Hong Kong and the PRC regarding market value assessment of the general partner's stakes and investment portfolios for valuation control and financial reporting purposes (including compliance with IFRS 9). The investment portfolios included renowned internet and technology companies in the PRC.

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in Shares

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares Award	Approximate Percentage Holding in the Company
Jiang Yulin	Beneficial owner/ Beneficial interest	30,290,000 ordinary shares *(Note)*	7.59%

Note: The Board has resolved to award an aggregate of 37,862,500 ordinary shares to Mr. Jiang Yulin, the chairman of the Board and an executive Director, on 9 December 2016. The aforesaid award to Mr. Jiang Yulin was approved at the Extraordinary General Meeting held on 29 March 2018. The shares will be issued and allotted to Mr. Jiang Yulin by six batches (subject to the fulfilment of the vesting conditions as discussed on pages 25 to 26 of the annual report of the Company for the year ended 31 December 2018), with the first vesting date being 30 September 2018 and second vesting date being 31 March 2019. Given the vesting conditions of the first and second batch of the award are not met, the first and second batch of the award were not issued and allotted to Mr. Jiang Yulin and were forfeited and lapsed.

Save as disclosed herein, as at Latest Practicable Date, none of the Directors, supervisors and the chief executive of the Company or their associates had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' interests in Shares

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following persons (other than the Director or chief executive of the Company) had, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the total issued Shares carrying rights to vote in all circumstance at general meetings of any other member of the Company (if any) or had any options in respect of such Shares:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage Holding in the Company
Prudential Brokerage Limited	Person having security interest in shares	249,539,294	62.54%
Dong Jufeng *(Note)*	Interest of spouse/ Family interest	266,069,294	66.69%
Jia Tianjiang *(Note)*	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%
Tian Yuan Manganese Limited (formerly known as China Tian Yuan Manganese Limited) *(Note)*	Beneficial owner/ Beneficial interest	249,539,294	62.54%
	Person having security interest in shares	16,530,000	4.14%
Ningxia Tianyuan Manganese Industry Co., Ltd. *(Note)*	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%

Note: Tian Yuan Manganese Limited (formerly known as China Tian Yuan Manganese Limited) is a wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd., a corporation controlled by Mr. Jia Tianjiang. By virtue of the SFO, Ningxia Tianyuan Manganese Industry Co., Ltd., Mr. Jia Tianjiang and his spouse, Ms. Dong Jufeng, are deemed to be interested in the 266,069,294 shares of the Company of which Tian Yuan Manganese Limited (formerly known as China Tian Yuan Manganese Limited) is interested in.

Save as aforesaid, as at the Latest Practicable Date, so far as was known to the Directors, no person had any interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the total issued Shares carrying rights to vote in all circumstances at general meetings of any other member of the Company (if any) or who had any option in respect of such Shares.

C. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the employer within one (1) year without payment of compensation (other than statutory compensation).

D. COMPETING INTERESTS

None of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

E. OTHER INTERESTS OF THE DIRECTORS

Since 31 December 2018, the date to which the latest published audited financial statements of the Group were made up, none of the Directors or proposed Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

In addition, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

F. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

G. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by the Group and are or may be material:

(i) the purchase and sale agreement dated 2 April 2019 among SWAN Carolina Investor, LLC, an indirect subsidiary of the Company and Whiteboard Investments LLC, as the sellers and Atma Hotel Group Inc., as purchaser, pursuant to which SWAN Carolina Investor and Whiteboard Investments LLC agreed to dispose certain assets of Sheraton Chapel Hill Hotel to Atma Hotel Group Inc. The total consideration receivable by Group is approximately USD4,625,000;

(ii) the PSA; and

(iii) the supplemental deed dated 12 November 2019 among the Company as the lender, Lead Dragon Limited as the borrower, Mr. Li Ming and Mr. Zhang Shihong as the guarantors in respect of the extension of the repayment date (12 November 2019) to the extended repayment date (12 February 2020) and amendments of certain terms and conditions of the new facility agreement dated 12 November 2018 as stipulated under the supplemental deed.

H. MISCELLANEOUS

The registered office of the Company is situated at Maples and Calder, P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies and the principal office in Hong Kong of the Company is situated at Room Nos. 1120-1126, 11/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The Company's Hong Kong branch share registrar and transfer agent is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The company secretary of the Company is Mr. Chow Wai Hung, who is a member of the Hong Kong Institute of Certified Public Accountants.

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

I. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room Nos. 1120-1126, 11/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the 14th day following the date hereof:

(i) the memorandum and articles of association of the Company;

(ii) the purchase and sale agreement dated 2 April 2019 among SWAN Carolina Investor, LLC, an indirect subsidiary of the Company and Whiteboard Investments LLC, as the sellers and Atma Hotel Group Inc., as purchaser, pursuant to which SWAN Carolina Investor and Whiteboard Investments LLC agreed to dispose certain assets of Sheraton Chapel Hill Hotel to Atma Hotel Group Inc;

(iii) the annual reports of the Company for the three years ended 31 December 2018;

(iv) the interim report of the Company for the six months ended 30 June 2019;

(v) copies of the PSA;

(vi) the Report from Independent Auditor, the text of which is set out in Appendix II to this circular;

(vii) the valuation report in relation to the market value of 51% equity interest in the SHR Group issued by Valtech Valuation Advisory Limited, the text of which is set out in Appendix IV to this circular;

(viii) the supplemental deed dated 12 November 2019 among the Company as the lender, Lead Dragon Limited as the borrower, Mr. Li Ming and Mr. Zhang Shihong as the guarantors in respect of the extension of the repayment date (12 November 2019) to the extended repayment date (12 February 2020) and amendments of certain terms and conditions of the new facility agreement dated 12 November 2018 as stipulated under the supplemental deed; and

(ix) this circular.