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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in **Guangdong Join-Share Financing Guarantee Investment Co., Ltd.**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***  
**廣東中盈盛達融資擔保投資股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1543)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS  
IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS  
IN GUANGDONG YAODA; AND  
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee is set out on pages 20 and 21 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 33 of this circular.

A notice convening the EGM to be held at 3:00 p.m., on Thursday, 29 October 2020 at Rose Room, 2/F, International Meeting Center, Building G, Sino-European Service Center, No. 2 South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC was despatched on 8 October 2020. The proxy form for use at the EGM is also enclosed therein.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's office at 5/F, Building D, Sino-European Service Center, South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (in case of any holders of Domestic Shares) or the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of any holders of H Shares) as soon as possible and in any event not later than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the relevant form(s) of proxy shall be deemed to be revoked.

\* *For identification purpose only*

8 October 2020

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## DEFINITIONS

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*The following terms have the following meanings in this circular unless the context otherwise requires:*

“Announcement”	the announcement of the Company dated 31 July 2020
“Articles”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.* (廣東中盈盛達融資擔保投資股份有限公司), formerly known as Foshan Yingda Guarantee Investment Co., Ltd., a joint stock limited company incorporated in the PRC on 23 May 2003 and the H Shares of which are listed on the Stock Exchange (Stock Code: 1543)
“Company’s Interest”	the 14.41% of equity interest of Guangdong Yaoda owned by the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Guangdong Yaoda Equity Interest by the Company and Join-Share Financial through Public Tender
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in RMB
“Domestic Shareholder(s)”	registered holder(s) of Domestic Share(s)
“EGM”	an extraordinary general meeting of the Company to be held at Rose Room, 2/F, International Meeting Center, Building G, Sino-European Service Center, No. 2 South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC on Thursday, 29 October 2020 at 3:00 p.m. or any adjournment thereof for the Shareholders to consider and, if thought fit, to approve the Disposal and the Equity Transfer Agreements

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## DEFINITIONS

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“Equity Transfer Agreements”	collectively, the equity transfer agreement to be entered into between the Company and FS Consortium in relation to the disposal of the Company’s Interest and the equity transfer agreement to be entered into between Join-Share Financial and Fojin HK in relation to the disposal of JSF’s Interest
“Foshan Financial”	Foshan Financial Investment Holding Co., Ltd.* (佛山市金融投資控股有限公司), a company incorporated in the PRC with limited liability on 1 March 2010, and is a substantial shareholder and connected person of the Company
“Foshan Public”	Foshan Public Utilities Holdings Co., Ltd.* (佛山市公用事業控股有限公司), a company incorporated under the laws of the PRC with limited liability on 9 August 2006, and is a controlling shareholder of Foshan Financial
“Foshan Qiyun”	Foshan Qiche Yunshu Group Co., Ltd* (佛山市汽車運輸集團有限公司), a company incorporated under the laws of the PRC with limited liability on 1 January 1950
“Fojin HK”	Fojin Hongkong Limited (佛金香港有限公司), a company incorporated in Hong Kong with limited liability on 18 September 2017, is a wholly-owned subsidiary of Foshan Financial and a substantial shareholder of the Company
“FS Consortium”	a consortium consisting of Foshan Financial, Guangdong Weiji and Foshan Qiyun
“Fuguan”	Lucky Crown Holdings Limited (福冠集團有限公司), a limited liability company incorporated in Hong Kong on 22 March 2017, which is an indirectly wholly-owned subsidiary of Foshan Public
“Fuside”	Foshan Fuside Infrastructure Investment Co., Ltd.* (佛山市富思德基礎設施投資有限公司), a company incorporated under the laws of the PRC with limited liability on 26 June 2001, which is a wholly-owned subsidiary of Foshan Financial and a Shareholder
“Group”	collectively, the Company and its subsidiaries
“Guangdong Weiji”	Guangdong Weiji Investments Co., Ltd* (廣東維基投資有限公司), a company incorporated under the laws of the PRC with limited liability on 2 August 2012
“Guangdong Yaoda”	Guangdong Yaoda Financial Leasing Company Limited* (廣東耀達融資租賃有限公司), a company incorporated under the laws of the PRC with limited liability on 6 November 2015, which is a connected person of the Company

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## DEFINITIONS

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“Guangdong Yaoda Equity Interest”	collectively, the Company’s Interest and JSF’s Interest
“Guangdong Yaoda Group”	collectively, Guangdong Yaoda and its subsidiary
“H Share(s)”	overseas listed foreign ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Disposal
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and an independent financial adviser appointed by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholders”	Shareholders other than Shareholders that have material interest in the Disposal
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) the Company as far as the Directors are aware after having made all reasonable enquiries
“Join-Share Financial”	Join-Share Financial Holdings Co., Limited (中盈盛達金融控股有限公司), a company incorporated in Hong Kong with limited liability on 22 November 2018 and which is a direct wholly-owned subsidiary of the Company
“JSF’s Interest”	the 7.35% of equity interest of Guangdong Yaoda owned by Join-Share Financial
“Latest Practicable Date”	30 September 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
“Public Tender”	a public tender process carried out via SUAEE in relation to the Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of share(s) of the Company
“Shares”	collectively, the H Shares and the Domestic Shares
“SMEs”	small-and-medium-sized enterprises
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUAEE”	Southern United Assets & Equity Exchange (南方聯合產權交易中心)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Valuation Report”	the valuation report issued by the Valuer dated 1 June 2020
“Valuer”	Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd (廣東京信房地產土地資產評估有限公司), an independent asset valuer
“%”	percent

*For the purpose of this circular and for illustrative purpose only, conversion of HK\$ into RMB is based on the approximate exchange rate of HK\$1: RMB0.88203.*

*In this circular, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. English translation of names in Chinese which are marked with “\*” is for identification purpose only.*



**Join-Share 中盈盛达**

共创 共享 共成长

**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***

**廣東中盈盛達融資擔保投資股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1543)**

*Executive Director:*

Mr. Wu Liejin (*Chairman and president*)

*Non-executive Directors:*

Mr. Zhang Minming

Ms. Gu Lidan

Mr. Luo Zhenqing

Mr. Zhang Deben

*Independent Non-executive Directors:*

Mr. Wu Xiangneng

Mr. Leung Hon Man

Mr. Liu Heng

*Registered office:*

Unit 2202–2212, 22/F

Chuangye Building

No. 215 Fenjiang Middle Road

Foshan, Guangdong

PRC

*Principal place of business*

*in Hong Kong:*

40th Floor, Sunlight Tower

No. 248 Queen's Road East

Wanchai

Hong Kong

8 October 2020

To Shareholders

*Dear Sir or Madam,*

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS  
IN GUANGDONG YAODA**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 8 May 2020, 31 July 2020 and 7 September 2020 in relation to the potential disposal of equity interests in Guangdong Yaoda held by the Group.

As disclosed in the Announcement, the Company and Join-Share Financial commenced to dispose their equity interests in Guangdong Yaoda through separate Public Tender processes (each with the same tender price per share) on SUAEE on 4 August 2020.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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The Board is pleased to announce that on 7 September 2020, the information publication period of the Public Tender for the Disposal has completed, and the Company and Join-Share Financial had identified their respective final transferee for the disposal of the Company's Interest and JSF's Interest, respectively. The consideration of the disposal of the Company's Interest and JSF's Interest were RMB75,761,344.71 and RMB38,654,441.18, respectively, which matched with the preliminary minimum tender price for the Company's Interest and JSF's Interest, being RMB75,761,344.71 and RMB38,654,441.18, respectively.

As disclosed in the Announcement, the Board resolved the preliminary minimum tender price of the Company's Interest and JSF's Interest after considering the preliminary appraised value for Guangdong Yaoda Equity Interest, being approximately RMB114,415,785.89, which were determined based on (i) the preliminary appraised value of Guangdong Yaoda as at 31 March 2020 as appraised by the Valuer in the Valuation Report; (ii) the audited financial statements of Guangdong Yaoda Group for the year ended 31 December 2019 prepared by Jonten Certified Public Accountants LLP (中天運會計師事務所(特殊普通合夥)); and (iii) the special audited financial report on asset verification (清產核資專項審計報告) of Guangdong Yaoda Group as at 31 March 2020 by Jonten Certified Public Accountants LLP (Guangdong Branch)(中天運會計師事務所(特殊普通合夥)(廣東分所)).

As disclosed in the Announcement, save for Foshan Financial, Guangdong Weiji and Foshan Qiyun, all the remaining shareholders of Guangdong Yaoda had indicated that they would not exercise their pre-emptive rights in relation to the disposal of the Company's Interest. Foshan Financial, Guangdong Weiji and Foshan Qiyun had decided to form a consortium (i.e. FS Consortium) to tender for the Company's Interest at the Public Tender. As disclosed in the Announcement, FS Consortium became the final transferee of the Company's Interest.

As disclosed in the Announcement, Foshan Financial did not waive its pre-emptive right in relation to the disposal of JSF's Interest. As Foshan Financial had indicated that it chose not to exercise its pre-emptive right after being informed that Fojin HK was the only bidder for JSF's Interest, thus, Fojin HK became the final transferee of the JSF's Interest.

The Company and Join-Share Financial will enter into equity transfer agreements with their respective final transferee, namely FS Consortium and Fojin HK, for the disposal of the Company's Interest and JSF's Interest, respectively.

### THE EQUITY TRANSFER AGREEMENTS

#### (1) Equity transfer agreement of the Company's Interest

The principal terms of the equity transfer agreement of the Company's Interest are summarised as below:

**Parties** : the Company (as the transferor)  
Foshan Financial, Foshan Qiyun and Guangdong Weiji  
(as the transferees)

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**LETTER FROM THE BOARD**

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**Equity Disposal** : The equity to be disposed is the 14.41% of equity interests in Guangdong Yaoda hold by the Company

**Consideration** : RMB75,761,344.71

<b>Proportion of the Company's Interest and the consideration among the consortium</b>	:	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Name of the transferee</th> <th style="text-align: center; border-bottom: 1px solid black;">Equity interest in the Company's Interest to be purchased</th> <th style="text-align: center; border-bottom: 1px solid black;">Corresponding to Guangdong Yaoda's registered capital (RMB)</th> <th style="text-align: center; border-bottom: 1px solid black;">Consideration (RMB)</th> <th style="text-align: center; border-bottom: 1px solid black;">The remaining consideration payable after deducting the guarantee (RMB)</th> </tr> </thead> <tbody> <tr> <td>Foshan Financial</td> <td style="text-align: center;">4.95%</td> <td style="text-align: right;">21,050,000</td> <td style="text-align: right;">26,037,164.18</td> <td style="text-align: right;">23,432,119.28</td> </tr> <tr> <td>Foshan Qiyun</td> <td style="text-align: center;">3.24%</td> <td style="text-align: right;">13,750,000</td> <td style="text-align: right;">17,007,648.81</td> <td style="text-align: right;">15,306,016.16</td> </tr> <tr> <td>Guangdong Weiji</td> <td style="text-align: center;">6.22%</td> <td style="text-align: right;">26,450,000</td> <td style="text-align: right;">32,716,531.72</td> <td style="text-align: right;">29,443,209.27</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>14.41%</b></td> <td style="text-align: right;"><b>61,250,000</b></td> <td style="text-align: right;"><b>75,761,344.71</b></td> <td style="text-align: right;"><b>68,181,344.71</b></td> </tr> </tbody> </table>	Name of the transferee	Equity interest in the Company's Interest to be purchased	Corresponding to Guangdong Yaoda's registered capital (RMB)	Consideration (RMB)	The remaining consideration payable after deducting the guarantee (RMB)	Foshan Financial	4.95%	21,050,000	26,037,164.18	23,432,119.28	Foshan Qiyun	3.24%	13,750,000	17,007,648.81	15,306,016.16	Guangdong Weiji	6.22%	26,450,000	32,716,531.72	29,443,209.27	<b>Total</b>	<b>14.41%</b>	<b>61,250,000</b>	<b>75,761,344.71</b>	<b>68,181,344.71</b>
Name of the transferee	Equity interest in the Company's Interest to be purchased	Corresponding to Guangdong Yaoda's registered capital (RMB)	Consideration (RMB)	The remaining consideration payable after deducting the guarantee (RMB)																							
Foshan Financial	4.95%	21,050,000	26,037,164.18	23,432,119.28																							
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<b>Total</b>	<b>14.41%</b>	<b>61,250,000</b>	<b>75,761,344.71</b>	<b>68,181,344.71</b>																							

**Payment terms** : FS Consortium shall make the one-off payment of the consideration in cash, deducting the equivalent amount of guarantee already paid by it, to the clearing account designated by SUAEE within five business days after the equity transaction agreement comes into effect.

SUAEE will transfer the consideration (together with the guarantee that the transferee had already paid) to the designated bank account of the Company within three business days from the next day upon receiving the payment of the consideration and service fee from FS Consortium

**Effectivity** : The agreement is effective upon the date of which it has been signed by the legal representative or authorised representative of each party with the company seal affixed

**Completion** : The transferee shall complete the procedures for the industrial and commercial change registration and complete the transfer of property rights within 15 working days from the date when the transferee received the relevant information on the industrial and commercial change registration from the transferor.

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## LETTER FROM THE BOARD

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### (2) Equity transfer agreement of the JSF's Interest

The principal terms of the equity transfer agreement of the JSF's Interest are summarised as below:

- Parties** : Join-Share Financial (as the transferor)  
Fojin HK (as the transferee)
- Equity Disposal** : The equity to be disposed is the 7.35% of equity interests in Guangdong Yaoda hold by Join-Share Financial
- Consideration** : RMB38,654,441.18
- Payment terms** : Fojin HK shall make the one-off payment of the consideration (paid by Hong Kong dollar converted based on the exchange rate of Renminbi to Hong Kong dollar on the payment date) in cash to the designated bank account of transferor within five business days after the equity transaction agreement comes into effect.
- The transferor shall notify SUAEE within three working days from the date of receipt of the consideration, and SUAEE shall return the deposit to transferee without any interest within five business days upon receiving the transferor's written notice, the transferee's payment voucher and collecting transaction service fees in full from both parties of transactions.
- Effectivity** : The agreement is effective upon the date of which it has been signed by the legal representative or authorised representative of each party with the company seal affixed
- Completion** : The transferee shall complete the procedures for the industrial and commercial change registration and complete the transfer of property rights within 15 working days from the date when the transferee received the relevant information on the industrial and commercial change registration from the transferor.

Execution of the Equity Transfer Agreements with the respective final transferee will be taken place upon the Company and/or Join-Share Financial having obtained the Shareholders' approval at the EGM pursuant to the articles of association of the Company, the relevant PRC laws and regulations and the Listing Rules.

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## LETTER FROM THE BOARD

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After the completion of the Disposal, the Company and Join-Share Financial will cease to have any equity interest in Guangdong Yaoda. On the other hand, Guangdong Yaoda will be able to replenish state-owned capital after the completion of the Disposal in order to meet its own business financing needs.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board considers that finance leasing industry in the PRC has a promising development potential and intends to expand the Group's business in such industry going forward.

At the time of the Group's capital injection into Guangdong Yaoda in June 2019, instead of solely being a financial investor, the Group initially intended to expand into the finance leasing industry in the PRC by consolidating Guangdong Yaoda as its subsidiary after a series of capital injections, which would ultimately allow the Group to lead and oversee the business operation and future development of Guangdong Yaoda, thereby expanding the business of the Company in the finance leasing industry. Moreover, Guangdong Yaoda (as a lessor) was mainly providing sale-and-leaseback services to its customers (lessees), which generally require a third party to provide guarantee in favour of the lessor for the lessees' repayment obligation under the finance lease agreement. The Board considered Guangdong Yaoda's business may have synergy effect with the Group's existing business, as the Group could provide guarantee services to the customers of Guangdong Yaoda. As such, it was the Board's original intention to obtain the controlling stake (i.e. over 50% of the total equity interest in Guangdong Yaoda) by a series of capital injections, which would ultimately result in Guangdong Yaoda becoming a subsidiary of the Group by the end of 2020.

However, in May 2020, the Company was informed by Guangdong Yaoda that (i) its state-owned shareholding shall not be less than 50% in order to meet its own business financing needs; and (ii) the board of directors of Guangdong Yaoda has changed its business focus from providing sale-and-leaseback services to direct leasing services to its customers (a type of service which generally do not require a third party to provide guarantee in favour of the lessor) and resolved to pursue new business such as asset-backed securities in respect of intellectual property, which is not the intended business that the Group would invest or engage in. As such, the Board considers Guangdong Yaoda's new business focus and strategies would not be compatible with the Company's current business strategies.

On the other hand, the historical cost of the Group's investment in Guangdong Yaoda Equity Interest was RMB112,572,500. Based on the Valuation Report, the Group is expected to record a gain of approximately RMB9,248,400 (including dividends) (before tax payments) from the Disposal, which is estimated based on the final tender price with the deduction of the investment costs paid by the Group in connection with the Guangdong Yaoda Equity Interest. As such, the Directors are of the view that the net profit from the Disposal is not less than RMB9,248,400 (including dividends) (before tax payments).

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## LETTER FROM THE BOARD

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Given that (i) Guangdong Yaoda would not be able to become a subsidiary of the Group; (ii) inconsistencies of business development strategies between the Company and Guangdong Yaoda; and (iii) the Group is expected to record a gain from the Disposal, the Board, after due and careful consideration, is of the view that it would not be commercially viable for the Group to remain as a passive investor with a minority stake in Guangdong Yaoda (i.e. not disposing all the Guangdong Yaoda Equity Interest in one go) because the Group would like to devote and reserve its resources and finance in setting up its wholly-owned subsidiary, which allows the Group to develop its finance leasing business and participate in its daily business operation. Thus, the Company and Join-Share Financial resolved to dispose all their equity interests in Guangdong Yaoda. Upon completion of the Disposal, the Group will not hold any equity interest in Guangdong Yaoda. In order to facilitate the Company's business expansion to tap into the finance leasing industry in the PRC, the Board intends to use the proceeds from the Disposal to establish a new finance leasing company which will be a subsidiary of the Group.

The Directors are of the view that the Disposal will be carried out upon normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **PROFIT FORECAST IN RELATION TO THE VALUATION METHOD**

The valuation method used in the Valuation Report constitutes a profit forecast under Rule 14.61 of the Listing Rules (the “**Profit Forecast**”). Accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

Pursuant to the Valuation Report, details of the principal assumptions upon which the Profit Forecast was based are as follows:

#### **General Assumptions**

##### ***1. Arm's length transaction assumption***

Arm's length transaction assumption assumes that the valuation target to be valued is already in the process of transaction and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the valuation target on arm's length. Arm's length transaction assumption is the most fundamental assumption for the valuation of assets.

##### ***2. Open market assumption***

Open market assumption assumes that both parties of the asset transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and transaction prices of the assets. The open market assumption is based on the fact that the assets can be traded openly in the market.

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## LETTER FROM THE BOARD

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3. Continuous use assumption: Continuous use assumption is a hypothesis made on the conditions of the market where the assets are intended to be entered as well as the status of the assets in such market conditions. It is firstly assumed that the valued assets are in use and will be used continuously. Continuous use assumption not only states the market condition or environment of the valued assets but also emphasizes the existing status of assets. Under continuous use assumption, no consideration is given to the conversion of the use of the assets or the use of the assets under the best condition. Thus, the applicable scope of valuation results is subject to restriction.
4. Going concern assumption is a valuation assumption made by taking the overall assets of the enterprise as the valuation target. In the assumption, the enterprise as the business entity could operate legally on a going concern basis in the external environment according to the business objectives based on the existing assets and resource conditions, with the operators of the enterprise being responsible and possessing the capacity to assume duties.

### **Special Assumptions**

1. All the audited financial report, forecast data and other valuation data of Guangdong Yaoda are true, complete, legal and valid;
2. Guangdong Yaoda fully complies with relevant laws, regulations and other policies of the country and operates legally;
3. the management of Guangdong Yaoda has responsibly fulfilled its obligations for the business operation, and has competently implemented effective management; there is no major change in the management and backbone technical personnel;
4. there is no material changes in the laws, regulations, policies and macroeconomic environment of the PRC;
5. there will be no material changes in the political, economic and environment conditions of the area in which the parties to the transaction locate, and all relevant tax rates, tax basis, interest rate and exchange rates are basically consistent with the reality;
6. to derive the profit forecast in the future, necessary analysis, judgement, and adjustment shall be made for the profit forecast of Guangdong Yaoda as provided by the relevant parties, and the reasonable assumptions for the valuation shall be determined on the basis of various possibilities and their effects in the future;
7. the valuation assumes that Guangdong Yaoda's cash flow is generated during the period of each forecast period;

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## LETTER FROM THE BOARD

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8. it is assumed that the shareholders of Guangdong Yaoda control the leverage ratio of the finance lease company within 8 times as much as the net assets in the future forecast period according to the regulatory measures of the finance lease industry, and profit distribution will be made to the maximum possible extent if the leverage ratio of Guangdong Yaoda in the future period meets the regulatory requirements (being no more than 8 times). If the leverage ratio is expected to exceed the regulatory requirements, no profit distribution will be made, and all profit will be retained for the valuation target to expand the net assets;
9. it is assumed that balanced investments are made to projects, the duration of projects are consistent with that of projects in the past years, and funds are put into projects on time; the proportion of default of the invested projects is within the reasonable predicted range, and there is no substantial malicious default;
10. this valuation is on the premise of the business model, investment and financing structure and development trend on the reference date of Guangdong Yaoda. There is no major change on future business model and financing channels, and the financing funds of Guangdong Yaoda will be received on time;
11. Guangdong Yaoda makes reasonable improvements and reorganization of the existing assets to enhance profitability. The receivables and payables are collected or made within reasonable period without affecting the operation;
12. the accounting policies adopted in the preparation of this report are basically consistent with that adopted by Guangdong Yaoda in the past years in all material respects;
13. the Valuation Report is made based on the analysis of related financial forecasts provided by the management of Guangdong Yaoda and based on the assumption that such financial forecasts can be achieved for each respective year in the future and meet the operational and financial conditions of Guangdong Yaoda in each respective year;
14. the valuation assumes that it is the perpetual period of operation when the estimated profitability remains stable, and the expected return during the perpetual period is equal to the adjusted value of the return in the last year of the forecast period;
15. there are no other unpredictable and force majeure reasons that may have any material adverse effect; and
16. extraordinary reasons of inflation are not taking into account when preparing the Valuation Report.

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## LETTER FROM THE BOARD

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### Confirmations

In accordance with Rule 14.62(2) of the Listing Rules, the Company has engaged its reporting accountants, KPMG, to report on the calculations in which the Valuation Report was based. KPMG has reported to the Directors that so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation Report. The reporting accountants' work does not constitute any valuation of Guangdong Yaoda or an expression of an audit or review opinion on the valuation of Guangdong Yaoda.

The Directors have reviewed the assumptions based upon which the Valuation Report was prepared. The Directors have also considered the report from KPMG. On the basis of the above, the Directors confirm that the Valuation Report prepared by the Valuer has been made after due and careful enquiry.

A report from KPMG dated 31 July 2020 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this circular, respectively.

### INFORMATION OF GUANGDONG YAODA AND GUANGDONG YAODA EQUITY INTEREST

Guangdong Yaoda is a limited liability company established on 6 November 2015 in the PRC. It has a registered capital of RMB425,000,000 and is principally engaged in the business of finance lease and other leasing business.

Guangdong Yaoda Commercial Factoring Co., Ltd\* (廣東耀達商業保理有限公司) (“**Yaoda Factoring**”) is a limited liability company incorporated in the PRC on 30 November 2018 with a registered capital of RMB200 million. Yaoda Factoring is principally engaged in commercial factoring business. Yaoda Factoring is 40% owned by Guangdong Yaoda, 30% owned by Guangdong Rongsheng Electric Co., Ltd.\* (廣東容聲電器股份有限公司) and 30% owned by Foshan Zhonggewei Electronics Co., Ltd\* (佛山市中格威電子有限公司). Yaoda Factoring is a subsidiary of Guangdong Yaoda.

Set out below is the audited financial information of Guangdong Yaoda Group for the two years ended 31 December 2019 prepared in accordance with the accounting standards of the PRC:

	For the year ended	
	31 December	
	2018	2019
	(RMB)	(RMB)
Profit before tax	53,591,253.40	64,187,809.50
Profit after tax	<u>40,137,918.15</u>	<u>47,994,718.97</u>

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## LETTER FROM THE BOARD

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The unaudited total assets, net assets and equity attributable to the owners of the parent company of Guangdong Yaoda Group (which excluded the minority interests in Yaoda Factoring) as at 30 June 2020 were approximately RMB2,516,575,217.74, RMB584,699,781.27 and RMB528,011,007.16, respectively. The unaudited profit before tax and profit after tax of Guangdong Yaoda Group for the six months ended 30 June 2020 prepared in accordance with the accounting standards of the PRC were approximately RMB49,754,154.36 and RMB37,315,615.77, respectively. The total assets, net assets and equity attributable to the owners of the parent company of Guangdong Yaoda Group (which excluded the minority interests in Yaoda Factoring) as at 31 December 2019 (audited) were approximately RMB2,302,967,718.57, RMB581,384,017.16 and RMB529,577,834.48, respectively. The total assets, net assets and equity attributable to the owners of the parent company of Guangdong Yaoda Group (which excluded the minority interests in Yaoda Factoring) as at 31 March 2020 (audited) were approximately RMB2,335,444,372.90, RMB596,516,374.23 and RMB543,418,750.67, respectively. The preliminary appraised value of the entire equity interest of Guangdong Yaoda as at 31 March 2020 was approximately RMB559,686,800, which was appraised by the independent Valuer.

Set out below the shareholding structure of Guangdong Yaoda before the Disposal:

Shareholders	Shareholdings	Capital contribution
Foshan Financial	24.71%	RMB105,000,000
Fuguan	17.65%	RMB75,000,000
Guangdong Weiji	14.12%	RMB60,000,000
Foshan Qiyun	14.00%	RMB59,500,000
Foshan Huajie Investment Co., Ltd* (佛山市華杰投資有限公司)	3.53%	RMB15,000,000
Foshan Precise Opportunity Investment Co., Ltd.* (佛山市精准機合投資有限公司)	4.24%	RMB18,000,000
The Company	14.41%	RMB61,250,000
Join-Share Financial	7.35%	RMB31,250,000
<b>Total</b>	<b>100%</b>	<b>RMB425,000,000</b>

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## LETTER FROM THE BOARD

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Set out below the shareholding structure of Guangdong Yaoda after the Disposal:

Shareholders	Shareholdings	Capital contribution
Foshan Financial	29.66%	RMB126,050,000
Fuguan	17.65%	RMB75,000,000
Guangdong Weiji	20.34%	RMB86,450,000
Foshan Qiyun	17.24%	RMB73,250,000
Foshan Huajie Investment Co., Ltd* (佛山市華杰投資有限公司)	3.53%	RMB15,000,000
Foshan Precise Opportunity Investment Co., Ltd.* (佛山市精準機會投資有限公司)	4.24%	RMB18,000,000
Fojin HK	7.35%	RMB31,250,000
<b>Total</b>	<b>100%</b>	<b>RMB425,000,000</b>

### INFORMATION OF THE PARTIES

Foshan Financial is a limited liability company incorporated in the PRC with a registered capital of RMB2,141,910,207. Foshan Financial is principally engaged in property management and investment and finance related business. Foshan Financial is a substantial shareholder of the Company. Foshan Financial is approximately 70.61% owned by Foshan Public and approximately 29.39% owned by Foshan Finance Bureau of the PRC\* (佛山市財政局), which is the working department under the Foshan Municipal People's Government and whose responsibilities include but not limited to formulating Foshan's fiscal and budget revenue plans, managing and supervising various fiscal revenues and expenditures, and supervising state-owned assets of administrative institutions.

Fojin HK is a limited liability company incorporated in Hong Kong. It is principally engaged in investment and asset management. Fojin HK is a wholly-owned subsidiary of Foshan Financial and a substantial shareholder of the Company.

Foshan Public is a limited liability company incorporated in the PRC with a registered capital of RMB2,637,224,317.03. Foshan Public is principally engaged in investment, construction and operation of public infrastructure and facilities. Foshan Public is wholly-owned by the State-owned Assets Supervision and Administration Commission of Foshan Municipal Government of the PRC\* (佛山市人民政府國有資產監督管理委員會), which is the working department under the Foshan Municipal People's Government and whose responsibilities include but not limited to performing the responsibilities of investors under the authorization of the Foshan Municipal People's Government and supervising the preservation of and value appreciation of the state-owned assets of the supervised enterprises.

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## LETTER FROM THE BOARD

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Guangdong Weiji is a limited liability company incorporated in the PRC with a registered capital of RMB10 million. Guangdong Weiji is principally engaged in commercial services and building and is owned by Mr. Chen Jinxiang and Ms. Chen Liyao. To the best knowledge and belief of the Directors, the background of the ultimate beneficial owners of Guangdong Weiji are as follows: (i) Mr. Chen Jinxiang is the executive director and manager of Guangdong Weiji; and (ii) Ms. Chen Liyao is the supervisor of Guangdong Weiji. To the best knowledge and belief of the Directors, the shareholders of Guangdong Weiji are Independent Third Parties.

Foshan Qiyun is a limited liability company incorporated in the PRC with a registered share capital of RMB105 million. Foshan Qiyun is principally engaged in road transportation and public transportation and is ultimately owned by eight individuals, namely, Mr. Chen Hanzhong, Mr. Bu Mingchao, Mr. Lin Sheyuan, Mr. Cai Xinjie, Mr. Xu Huiming, Mr. Li Xiangjian, Ms. Liang Jingfang and Mr. Yi Jiannan. To the best knowledge and belief of the Directors, the background of the ultimate beneficial owners of Foshan Qiyun are as follows: (i) Mr. Chen Hanzhong is the chairman of the board of directors Foshan Qiyun; (ii) Mr. Lin Sheyuan is the vice chairman of the board of directors of Foshan Qiyun; (iii) Mr. Bu Mingchao, Mr. Cai Xinjie, Mr. Xu Huiming and Mr. Li Xiangjian are the directors of Foshan Qiyun; (iv) Ms. Liang Jingfang was the financial director of Foshan Qiyun; and (v) Mr. Yi Jiannan is the supervisor of Foshan Qiyun. To the best knowledge and belief of the Directors, all of these individuals are Independent Third Parties.

### INFORMATION OF THE GROUP

The Company is a financial guarantee services provider in the PRC. It is principally engaged in the provision of (i) guarantees on behalf of SMEs and individual business proprietors to guarantee the repayment of their loans or performance of their certain contractual obligations, (ii) entrusted loans for SMEs and individual business proprietors, and (iii) micro-lending for SMEs, individual business proprietors and individuals.

Join-Share Financial is a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Foshan Financial is approximately 70.61% owned by Foshan Public and it is a substantial shareholder of the Company. Fojin HK is a substantial shareholder of the Company and a directly wholly-owned subsidiary of Foshan Financial. Hence, Foshan Financial, Foshan Public and Fojin HK are connected persons of the Company. Guangdong Yaoda is an associate of Foshan Financial and hence also a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

As at the Latest Practicable Date, Guangdong Yaoda is a 24.71% owned subsidiary of Foshan Financial, who is a substantial shareholder and connected person of the Company, and is indirectly owned as to 17.65% by Foshan Public via Fuguan, a limited liability company incorporated in Hong Kong (which is an indirectly wholly-owned subsidiary of Foshan Public).

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## LETTER FROM THE BOARD

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Therefore, each of the Equity Transfer Agreements to be entered into between (i) the Company and FS Consortium, and (ii) Join-Share Financial and Fojin HK, in relation to the disposal of the Company's Interest and JSF's Interest, respectively, constitute connected transactions of the Group under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

Furthermore, as the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) of the Disposal exceeds 5% but is less than 25%, the Disposal contemplated under each of the Equity Transfer Agreements constitute discloseable transactions of the Company and therefore, is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Each of Ms. Gu Lidan and Mr. Luo Zhenqing (being non-executive Directors) had material interests in and had abstained from voting on the resolution approving the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder. Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any material interest in the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder and hence no Director is required under the Listing Rules to abstain from voting on the resolutions approving the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder at the meeting of the Board.

As at the Latest Practicable Date, Foshan Financial had beneficial interest in 239,854,838 Domestic Shares, and had interest in 164,164,000 H Shares through Fojin HK and 33,002,680 Domestic Share through Fuside, both of which are wholly-owned subsidiaries of Foshan Financial. Therefore, Foshan Financial and its associates (including Fuside and Fojin HK), which control or are entitled to exercise over the voting rights in respect of their Shares held, shall abstain from voting at the resolution considering and approving the Disposal contemplated under the Equity Transfer Agreements at the EGM.

### **EGM**

The Company proposes to convene the EGM on Thursday, 29 October 2020 at Rose Room, 2/F, International Meeting Center, Building G, Sino-European Service Center, No. 2 South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC.

A notice convening the EGM was despatched to the Shareholders on 8 October 2020.

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## LETTER FROM THE BOARD

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If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. For Domestic Shareholder, if you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. The proxy form should be returned to the Company's office at 5/F, Building D, Sino-European Service Center, South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC, by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

The votes to be taken at the EGM in relation to the proposed resolutions will be taken by poll.

In order to determine the shareholders' eligibility to attend the EGM, the register of members of the Company will be closed from Friday, 23 October 2020 to Thursday, 29 October 2020, both days inclusive, during which no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Thursday, 29 October 2020 or their proxies or duly authorised corporate representatives are entitled to attend the EGM. In order to qualify for attending and voting at the EGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's office in the PRC at 5/F, Building D, Sino-European Service Center, South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Thursday, 22 October 2020.

### RECOMMENDATIONS

The Independent Board Committee (comprising Mr. Wu Xiangneng, Mr. Leung Hon Man and Mr. Liu Heng, all being independent non-executive Directors) has been established to advise and provide recommendation to the Independent Shareholders in respect of the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder after taking into account the advice from Gram Capital.

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## LETTER FROM THE BOARD

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The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder, and whether the terms of the Equity Transfer Agreements are normal commercial terms, and whether the entering into of the Equity Transfer Agreements is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains its recommendation to the Independent Shareholders in respect of the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder; and (ii) the letter from Gram Capital set out on pages 22 to 33 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder and the principal factors and reasons considered by Gram Capital in arriving at its advice.

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that despite the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreements are normal commercial terms and fair and reasonable, and the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the general information set out in the appendices to this circular.

Yours faithfully  
By order of the Board  
**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***  
**Wu Liejin**  
*Chairman*



**Join-Share 中盈盛达**

共创 共享 共成长

**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***

**廣東中盈盛達融資擔保投資股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1543)**

8 October 2020

To the Independent Shareholders

*Dear Sir or Madam,*

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS  
IN GUANGDONG YAODA**

We refer to the circular dated 8 October 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the Disposal, the Equity Transfer Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, the Disposal, the terms of the Equity Transfer Agreements are normal commercial terms and fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Company has appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder, and whether the Disposal, the terms of the Equity Transfer Agreements are normal commercial terms, and whether the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board set out on pages 5 to 19 of the Circular which contains, among others, information on the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder as well as the letter from Gram Capital set out on pages 22 to 33 of the Circular which contains its advice in respect of the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder.

Having taken into account the advice of Gram Capital, we consider that despite the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the terms of the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder are normal commercial terms and fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Disposal, the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder.

Yours faithfully  
For and on behalf of the  
Independent Board Committee  
**Leung Hon Man**

**Wu Xiangneng**

**Liu Heng**

*Independent non-executive  
Director*

*Independent non-executive  
Director*

*Independent non-executive  
Director*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Disposal for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

8 October 2020

*To: The Independent Board Committee and the Independent Shareholders  
of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\**

Dear Sir/Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS IN GUANGDONG YAODA**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 8 October 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, on 7 September 2020, the information publication period of Public Tender for the Disposal has completed, and the Company and Join-Share Financial had identified their respective final transferee for the disposal of the Company’s Interest and JSF’s Interest, respectively. The consideration of the disposal of the Company’s Interest and the JSF’s Interest were RMB75,761,344.71 and RMB38,654,441.18, respectively, which matched with the preliminary minimum tender price for the Company’s Interest and the JSF’s Interest. The aggregated consideration of the Disposal is RMB114,415,785.89 (the “**Consideration**”).

The Company and Join-Share Financial will enter into equity transfer agreements with their respective final transferee, namely the FS Consortium and Fojin HK, for the disposal of the Company’s Interest and JSF’s Interest, respectively. After the completion of the Disposal, the Company and Join-Share Financial will cease to have any equity interest in Guangdong Yaoda.

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## LETTER FROM GRAM CAPITAL

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With reference to the Board Letter, the Disposal constitutes discloseable transactions and connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

The Independent Board Committee comprising Mr. Wu Xiangneng, Mr. Leung Hon Man and Mr. Liu Heng, being all of the independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the Disposal are on normal commercial terms and are fair and reasonable; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Disposal at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of a connected and discloseable transaction of the Company as set out in the Company's circular dated 9 May 2019. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Disposal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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## LETTER FROM GRAM CAPITAL

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We have not made any independent evaluation or appraisal of the assets and liabilities of the Guangdong Yaoda or its subsidiary, and we have not been furnished with any such evaluation or appraisal, save as and except for the Valuation Report on Guangdong Yaoda, the summary of which is set out in Appendix III to the Circular. The Valuation Report was prepared by Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd (i.e. the Valuer). Since we are not experts in the valuation of assets or business, we have relied solely upon the Valuation Report for the appraised value of the total shareholders' equity of Guangdong Yaoda as at 31 March 2020.

The Circular, for which the Directors collectively and individually accept full responsibility for the information contained therein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Join-Share Financial, the FS Consortium, Fojin HK, Guangdong Yaoda or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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## LETTER FROM GRAM CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

#### Information on the Group

With reference to the Board Letter, the Company is a financial guarantee services provider in the PRC. It is principally engaged in the provision of (i) guarantees on behalf of SMEs and individual business proprietors to guarantee the repayment of their loans or performance of their certain contractual obligations, (ii) entrusted loans for SMEs and individual business proprietors, and (iii) micro-lending for SMEs, individual business proprietors and individuals.

Set out below is a summary of the consolidated financial information on the Group for the two years ended 31 December 2019 as extracted from the Company's annual report for the year ended 31 December 2019 and for the six months ended 30 June 2020 as extracted from the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report"):

	For the six months ended 30 June 2020 <i>(unaudited)</i> RMB'000	For the year ended 31 December 2019 <i>(audited)</i> RMB'000	For the year ended 31 December 2018 <i>(audited)</i> RMB'000	Change from 2018 to 2019 %
Revenue	147,505	306,001	275,025	11.26
— <i>Net guarantee fee income</i>	88,996	187,194	164,340	13.91
— <i>Net interest income</i>	42,969	87,783	78,235	12.20
— <i>Service fee from consulting services</i>	15,540	31,024	32,450	(4.39)
Profit for the period/ year	63,424	142,949	144,337	(0.96)

As depicted from the above table, the Group's revenue for the year ended 31 December 2019 ("FY2019") increased by approximately 11.26% as compared to that for the year ended 31 December 2018 ("FY2018"). Despite the aforesaid increase in the Group's revenue, the Group's profit for FY2019 decreased slightly by approximately 0.96% as compared to FY2018.

With reference to the 2020 Interim Report, the Group will continue to monitor the development of COVID-19 pandemic and its impact on the operations and results of the Group, if any; keep a close watch over market conditions and adopt appropriate measures against such challenges. The Group believes that with the introduction of such series of favourable policies by the PRC government, the Group is confidence of helping SMEs to

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## LETTER FROM GRAM CAPITAL

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address the problems of capital shortage and financing difficulties. In addition, as the domestic epidemic is under control and the economy begins to recover gradually, the Company will gradually resume and expand its business development.

### Information on Guangdong Yaoda

Guangdong Yaoda is a limited liability company established on 6 November 2015 in the PRC. It has a registered capital of RMB425,000,000 and is principally engaged in the business of finance lease and other leasing business.

Yaoda Factoring is a non-wholly owned subsidiary of Guangdong Yaoda and is principally engaged in commercial factoring business. Yaoda Factoring is owned as to 40% by Guangdong Yaoda.

With reference to the Board Letter, set out below is the consolidated financial information of Guangdong Yaoda for the two years ended 31 December 2019 and the six months ended 30 June 2020 prepared in accordance with the accounting standards of the PRC:

	<b>For the six months ended 30 June 2020 (unaudited) RMB</b>	<b>For the year ended 31 December 2019 (audited) RMB</b>	<b>For the year ended 31 December 2018 (audited) RMB</b>
Profit before tax	49,754,154.36	64,187,809.50	53,591,253.40
Profit after tax	37,315,615.77	47,994,718.97	40,137,918.15

### Information on the transferees under the Equity Transfer Agreements

#### *Members of the FS Consortium*

With reference to the Board Letter, Foshan Financial is a limited liability company incorporated in the PRC. Foshan Financial is a substantial shareholder of the Company. Foshan Financial is approximately 70.61% owned by Foshan Public and approximately 29.39% owned by Foshan Finance Bureau of the PRC\* (佛山市財政局). Foshan Public is wholly-owned by the State-owned Assets Supervision and Administration Commission of Foshan Municipal Government of the PRC\* (佛山市人民政府國有資產監督管理委員會).

With reference to the Board Letter, Guangdong Weiji is a limited liability company incorporated in the PRC. Guangdong Weiji is principally engaged in commercial services and building and is owned by Mr. Chen Jinxiang and Ms. Chen Liyao. To the best knowledge and belief of the Directors, the shareholders of Guangdong Weiji are Independent Third Parties.

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## LETTER FROM GRAM CAPITAL

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With reference to the Board Letter, Foshan Qiyun is a limited liability company incorporated in the PRC. Foshan Qiyun is principally engaged in road transportation and public transportation and is ultimately owned by eight individuals, namely, Mr. Chen Hanzhong, Mr. Bu Mingchao, Mr. Lin Sheyuan, Mr. Cai Xinjie, Mr. Xu Huiming, Mr. Li Xiangjian, Ms. Liang Jingpang and Mr. Yi Jiannan. To the best knowledge and belief of the Directors, all of these individuals are Independent Third Parties.

### *Fojin HK*

Fojin HK is a limited liability company incorporated in Hong Kong. Fojin HK is a wholly-owned subsidiary of Foshan Financial and a substantial shareholder of the Company.

### **Reasons for and benefits of the Disposal**

With reference to the Board Letter, the Board considers that finance leasing industry in the PRC has a promising development potential and intends to expand the Group's business in such industry going forward. At the time of the Group's capital injection into Guangdong Yaoda in June 2019, instead of solely being a financial investor, the Group initially intended to expand into the finance leasing industry in the PRC by consolidating Guangdong Yaoda as its subsidiary after a series of capital injections, which would ultimately allow the Group to lead and oversee the business operation and future development of Guangdong Yaoda, thereby expanding the business of the Company in the finance leasing industry. Moreover, Guangdong Yaoda (as a lessor) was mainly providing sale-and-leaseback services to its customers (lessees), which generally require third-party to provide guarantee in favour of the lessor for the lessees' repayment obligation under the finance lease agreement. The Board considered Guangdong Yaoda's business may have synergy effect with the Group's existing business, as the Group could provide guarantee services to the customers of Guangdong Yaoda. As such, it was the Board's original intention to obtain the controlling stake (i.e. over 50% of the total equity interest in Guangdong Yaoda) by a series of capital injections, which would ultimately result in Guangdong Yaoda becoming a subsidiary of the Group by the end of 2020.

However, in May 2020, the Company was informed by Guangdong Yaoda that (i) its state-owned shareholding shall not be less than 50% in order to meet its own business financing needs; and (ii) the board of directors of Guangdong Yaoda has changed its business focus from providing sale-and-leaseback services to direct leasing services to its customers (a type of service which generally do not require a third party to provide guarantee in favour of the lessor) and resolved to pursue new business such as asset-backed securities in respect of intellectual property, which is not the intended business that the Group would invest or engage in. As such, the Board considers Guangdong Yaoda's new business focus and strategies would not be compatible with the Company's current business strategies.

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## LETTER FROM GRAM CAPITAL

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On the other hand, the historical cost of the Group's investment in Guangdong Yaoda Equity Interest was RMB112,572,500. Based on the Valuation Report, the Group is expected to record a gain of approximately RMB9,248,400 (including dividends) (before tax payments) from the Disposal, which is estimated based on the final tender price with the deduction of the investment costs paid by the Group in connection with the Guangdong Yaoda Equity Interest. As such, the Directors are of the view that the net profit from the Disposal is not less than RMB9,248,400 (including dividends) (before tax payments).

Given that (i) Guangdong Yaoda would not be able to become a subsidiary of the Group; (ii) inconsistencies of business development strategies between the Company and Guangdong Yaoda; and (iii) the Group is expected to record a gain from the Disposal, the Board, after due and careful consideration, is of the view that it would not be commercially viable for the Group to remain as a passive investor with a minority stake in Guangdong Yaoda (i.e. not disposing all the Guangdong Yaoda Equity Interest in one go) because the Group would like to devote and reserve its resources and finance in setting up its wholly-owned subsidiary, which allows the Group to develop its finance leasing business and participate in its daily business operation. Thus, the Company and Join-Share Financial resolved to dispose all their equity interests in Guangdong Yaoda. Upon completion of the Disposal, the Group will not hold any equity interest in Guangdong Yaoda. In order to facilitate the Company's business expansion to tap into the finance leasing industry in the PRC, the Board intends to use the proceeds from the Disposal to establish a new finance leasing company which will be a subsidiary of the Group.

Upon our enquiry, the Directors advised us that Guangdong Yaoda was mainly providing sale-and-leaseback services, which may have synergy effect with the Group's existing business (Guangdong Yaoda requires guarantee when it provides sale-and-leaseback services to its customers. The Group can provide guarantee services to such customers in this regard.). Nevertheless, Guangdong Yaoda has changed its business focus from providing sale-and-leaseback services to direct lease services and resolved to develop new business such as asset-backed securities in respect of intellectual property, which are not compatible with the Company's current business strategies.

Having considered the above, we concur with the Directors that, although the Disposal will not be conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

### **Major terms of the Equity Transfer Agreements**

Summarised below are the major terms for the Equity Transfer Agreements, details of which are set out under the section headed "THE EQUITY TRANSFER AGREEMENTS" of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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### *Equity transfer agreement of the Company's Interest*

- Parties: (i) the Company (as the transferor); and  
(ii) Foshan Financial, Foshan Qiyun and Guangdong Weiji (as the transferees)
- Subject matter: The equity to be disposed is the 14.41% of equity interests in Guangdong Yaoda held by the Company
- Consideration: RMB75,761,344.71

### *Equity transfer agreement of the JSF's Interest*

- Parties: (i) Join-Share Financial (as the transferor); and  
(ii) Fojin HK (as the transferee)
- Subject matter: The equity to be disposed is the 7.35% of equity interests in Guangdong Yaoda held by Join-Share Financial
- Consideration: RMB38,654,441.18

Execution of the Equity Transfer Agreements with the respective final transferee will be taken place upon the Company and/or Join-Share Financial having obtained the Shareholders' approval at the EGM pursuant to the articles of association of the Company, the relevant PRC laws and regulations and the Listing Rules.

After the completion of the Disposal, the Company and Join-Share Financial will cease to have any equity interest in Guangdong Yaoda. On the other hand, Guangdong Yaoda will be able to replenish state-owned capital after the completion of the Disposal in order to meet its own business financing needs.

### *Valuation of Guangdong Yaoda*

To assess the fairness and reasonableness of the Consideration, we noted from the Valuation Report prepared by the Valuer that the appraised value of the total shareholders' equity of Guangdong Yaoda as at 31 March 2020 was RMB559,686,800 (the "**Appraised Value**").

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation Report. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification for preparation of the Valuation Report. The Valuer also confirmed that they are independent to the Group, the FS Consortium, Fojin HK and Guangdong Yaoda.

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## LETTER FROM GRAM CAPITAL

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The Valuation Report was prepared by the Valuer by way of the asset-based approach and income approach. With reference to the Valuation Report, as the business structure, business model, enterprise scale, asset allocation and use of listed companies in the same industry of the valuation target, business stage, growth, business risk, financial risk and other factors are significantly different from those of the valuation target, and there are few cases of trading, acquisition and merger of comparable enterprises in the same industry in the PRC near the valuation date (i.e. 31 March 2020), so the business and financial data of the relevant reliable comparable transaction cases are difficult to obtain and the value ratio cannot be calculated. Therefore, the market approach is not applicable to the evaluation under the Valuation Report.

As confirmed by the Valuer, both asset-based approach and income approach are the commonly adopted approaches for valuation of companies. Upon our further enquiry with the Valuer, we understood that the asset-based approach cannot fully and reasonably represent the comprehensive profitability of each asset and the growth potential of Guangdong Yaoda, and cannot cover the value of intangible assets, such as contract performance, customer resources, goodwill, and human resources. For the purpose of the Valuation Report, income approach can reflect the intrinsic value of Guangdong Yaoda in a more comprehensive and reasonable way. Therefore, the income approach was selected as the basis for valuation.

We noticed that the appraised value of total shareholders' equity of Guangdong Yaoda as at 31 March 2020 was approximately RMB543,605,200 under the asset-based approach in the Valuation Report (the "**Asset-based Approach Results**"). The Asset-based Approach Results represents a slight discount of approximately 2.87% to the Appraised Value. Given (i) that the Valuer prepared the Valuation Report by ways of two approaches (i.e. the asset-based approach and income approach) which derived similar results; and (ii) the disadvantage of the asset-based approach and the market approach being inapplicable for the purpose of the Valuation Report as mentioned above, we did not consider other approaches to assess the Appraised Value.

We also noticed that the equity attributable to the owners of the parent company of Guangdong Yaoda Group as at 30 June 2020 was RMB528,011,007.16 (which excluded the minority interests in Yaoda Factoring, being a non-wholly owned subsidiary of Guangdong Yaoda). With reference to the Valuation Report and as confirmed by the Valuer, the Valuer took into account the long-term equity investment in respect of Guangdong Yaoda's equity interest in Yaoda Factoring when assessing the appraised value of the total shareholders' equity of Guangdong Yaoda under both of the asset-based approach and the income approach. The equity attributable to the owners of the parent company of Guangdong Yaoda Group as at 30 June 2020 was lower than both of the Asset-based Approach Results and the Appraised Value.

We further reviewed and enquired into the Valuer on the methodology adopted and the basis and assumptions adopted in the Valuation Report in order for us to understand the Valuation Report. We also discussed the key assumptions and parameters under the Valuation Report.

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## LETTER FROM GRAM CAPITAL

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With reference to the Valuation Report, the forecast of future financial data of Guangdong Yaoda is based on its business performance (i.e. historical financial data) from January 2017 to March 2020, which has been compiled with comprehensive analysis following the prevailing laws and regulations of the PRC, in line with national macro policies, state and regional macroeconomic conditions, landscape of the finance lease industry, as well as on the basis of development planning and business plans, advantages, disadvantages, opportunities, risks and etc. of Guangdong Yaoda. Detailed explanations are set out under Appendix III to the Circular.

For example, (i) the operating revenue forecast was determined after considering the COVID-19 pandemic, international environment and weighted average of the contract balance growth rate of the finance lease business in the PRC from January 2017 to March 2020; (ii) the operating cost forecast was determined based on the weighted average of operating cost as a percentage of the operating revenue from January 2017 to March 2020; and (iii) the administrative expenses forecast was determined based on the weighted average of administrative expenses as a percentage of the operating revenue from January 2017 to March 2020.

In determining the discount rate, the Valuer made reference to comparable companies (the “**Beta Comparables**”) to derive the beta coefficient. We noticed that the purpose of selecting the finance lease companies listed in the A-share market on the main board of Shanghai and Shenzhen Stock Exchanges is to calculate the risk index of the industry, that is, the beta coefficient, based on the changes in the stock price of the selected companies and the fluctuation of the overall market index.

The selection of the Beta Comparables was based on that (i) the comparable companies are profitable in recent years; (ii) the comparable companies merely issue A shares; and (iii) the comparable companies are engaged in an industry which is, or their principal business is, finance lease, details of which are set out in Appendix III to the Circular.

During our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

From Appendix I to the Circular, we noted that in the Company’s reporting accountants’ opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation Report. From Appendix II to the Circular, we noted that the Board is of the opinion that the Valuation Report prepared by the Valuer has been made after due and careful enquiry.

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## LETTER FROM GRAM CAPITAL

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Upon our enquiry, the Directors advised us that the Company and Join-Share Financial were entitled to Guangdong Yaoda's dividend of approximately RMB4.9 million (the "Company's GY Dividend 2019") and approximately RMB2.5 million (the "JSF's GY Dividend 2019") respectively for FY2019. Such dividends were not paid as at the valuation date of 31 March 2020 (The Company's GY Dividend 2019 was paid in July 2020 and the JSF's GY Dividend 2019 is expected to be paid in 2020). Accordingly, such dividend amounts were deducted from the proportionate Appraised Value in respect of the Company's Interest and the JSF's Interest in arriving the respective preliminary minimum tender price for the Company's Interest and the JSF's Interest.

We noted that (i) the proportionate Appraised Value in respect of the Company's Interest (i.e.  $\text{RMB}559,686,800 \times 14.41\% = \text{RMB}80,660,744.71$ ) minus the aforesaid Company's entitlement of Guangdong Yaoda's dividend equals to the consideration for the Company's Interest of  $\text{RMB}75,761,344.71$ ; and (ii) the proportionate Appraised Value in respect of the JSF's Interest (i.e.  $\text{RMB}559,686,800 \times 7.35\% = \text{RMB}41,153,441.18$ ) minus the aforesaid Join-Share Financial's entitlement of Guangdong Yaoda's dividend equals to the consideration for the JSF's Interest of  $\text{RMB}38,654,441.18$ .

Having considered the above, we are of the view that the Consideration is fair and reasonable.

Details of the other terms of the Equity Transfer Agreements including payment terms, effectivity and completion are set out under the section headed "THE EQUITY TRANSFER AGREEMENTS" in the Board Letter. We did not identify any irregularity under such other terms of the Equity Transfer Agreements.

Taking into account the principal terms of the Disposal, we consider that the terms of the Disposal are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

### **Possible financial effects of the Disposal**

With reference to the Board Letter, after the completion of the Disposal, the Company and Join-Share Financial will cease to have any equity interest in Guangdong Yaoda. In addition, the Group is expected to record a gain of approximately  $\text{RMB}9,248,400$  (including dividends) (before tax payments) from the Disposal, which is estimated based on the final tender price with the deduction of the investment costs paid by the Group in connection with the Guangdong Yaoda Equity Interest.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Disposal.

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## LETTER FROM GRAM CAPITAL

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable; and (ii) although the Disposal will not be conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Disposal and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.*

\* *for identification purpose only*

*The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this circular.*

**REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF GUANGDONG YAODA FINANCIAL LEASING COMPANY LIMITED\* (廣東耀達融資租賃有限公司)**

**TO THE BOARD OF DIRECTORS OF GUANGDONG JOIN-SHARE FINANCING GUARANTEE INVESTMENT CO., LTD.\* (廣東中盈盛達融資擔保投資股份有限公司)**

We refer to the discounted future cash flows on which the business valuation (the “**Valuation**”) dated 1 June 2020 prepared by Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd.\* (廣東京信房地產土地資產評估有限公司) in respect of the appraisal of the fair value of Guangdong Yaoda Financial Leasing Company Limited\* (廣東耀達融資租賃有限公司) (“**Guangdong Yaoda**”) as at 31 March 2020 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**Directors' Responsibilities**

The directors of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\* (廣東中盈盛達融資擔保投資股份有限公司) (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future 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 (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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.

**Reporting Accountants' Responsibilities**

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

**Basis of Opinion**

We conducted our engagement 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 our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

**Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of Guangdong Yaoda or an expression of an audit or review opinion on the Valuation.

The discounted future 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. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. 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, arising out of or in connection with our work.

*\* The official name of this entity is in Chinese. The English translation of the name is for identification only.*

**KPMG***Certified Public Accountants*

Hong Kong

31 July 2020

31 July 2020

Listing Department  
The Stock Exchange of Hong Kong Limited  
12th Floor, Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

Dear Sirs,

Company: Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\*  
(廣東中盈盛達融資擔保投資股份有限公司) (the “**Company**”)

Stock code: 1543

Transaction: Possible Discloseable Transaction in relation to the Potential  
Disposal of equity interests in Guangdong Yaoda

Subject: Confirmation in relation to profit forecast pursuant to Rule 14.62(3)  
of the Listing Rules

We refer to the announcement of the Company dated 31 July 2020 (the “**Announcement**”) relating to the captioned matters. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise defined.

We refer to the Valuation Report dated 1 June 2020 issued by the Valuer regarding the valuation of all assets and liabilities of Guangdong Yaoda as at 31 March 2020 and prepared based on income approach, which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation Report has been prepared, and reviewed the Valuation Report for which the Valuer is responsible. We have also considered the report from KPMG, our reporting accountants, regarding whether the Profit Forecast, so far as the calculations are concerned, have been properly complied in all material respects in accordance with the bases and assumptions as set out in the Valuation Report.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board is of the opinion that the Valuation Report prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of the Board of  
**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***  
**Wu Liejin**  
*Chairman*

\* *For identification purpose only*

*This report is prepared in accordance with the accepted asset valuation standards of the PRC.*

**Asset Valuation Report in respect of Total Shareholders' Equity of  
Guangdong Yaoda Financial Leasing Company Limited involved in  
Proposed Equity Transfer by Guangdong Join-Share Financing  
Guarantee Investment Co., Ltd.**

Guang Jing Ping Bao Zi No. JX[2020] CAN060293

Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd

1 June 2020

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## STATEMENT AND WARNING

- (1) This Asset Valuation Report was prepared in accordance with the Asset Valuation Standards — Basic Standards issued by the Ministry of Finance, as well as the Practicing Standards on Assets Valuation and Code of Ethics for Assets Valuation issued by China Valuation Society.
- (2) The Client or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with laws, administrative rules and regulations, and the scope of use set out in the Asset Valuation Report. The asset valuation institution, asset valuers and other asset valuers disclaim any liability arising from the use of this Asset Valuation Report by the Client or other users of the report in violation of the aforesaid requirements.
- (3) This Asset Valuation Report shall only be used by the Client, other users of the Asset Valuation Report specified in the asset valuation entrustment contract, and users of the Asset Valuation Report stipulated in laws, administrative rules and regulations. Save for the above, any other entity or individual shall not be a user of the Asset Valuation Report.
- (4) The asset valuation institution, asset valuers and other asset valuers advise that users of the Asset Valuation Report shall correctly interpret and use the valuation conclusion, which is not equivalent to, and should not be regarded as a guarantee for the realizable value of the appraised subject.
- (5) Users of the Asset Valuation Report should be aware of the assumptions, on which the conclusion of valuation is based, and the notes on special matters and the restrictions on the use of the Asset Valuation Report.
- (6) The asset valuation institution, asset valuers and other asset valuers have complied with the laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, and are responsible for the asset valuation report issued by them under the laws.
- (7) The list of assets and liabilities and future business plan associated with the appraised subject shall be reported and confirmed with signatures, seals or other ways as permitted under the laws by the client and the valuation target; the Client and the parties involved are legally liable for the authenticity, legality and completeness of the information provided.
- (8) The asset valuation institution and the asset valuer do not have any existing or potential interests in the appraised subject as specified in the valuation report; and we do not have any existing or potential interests in any of the parties involved, nor do we have any prejudice against these parties involved.

- (9) The asset valuer have conducted on-site investigations of the appraised subject and its assets as referred to in the valuation report; have given necessary attention to and checked the status of the legal titles with respect to the appraised subject and the assets involved, and truthfully disclosed the identified issues, and requested the client and the parties involved to perfect the titles, so as to meet the requirements for issuing the valuation report.
- (10) The analysis, judgments and conclusions of the valuation report issued by the asset valuation institution are subject to the assumptions and constraints stated in this valuation report; the valuation report users should fully consider the assumptions, constraints, notes on special matters and their impacts on the valuation conclusions contained in the valuation report.
- (11) The asset valuer and its asset valuation institution have the professional qualification and relevant professional valuation experience required to engage in this valuation engagement. Saved as those references already disclosed in the valuation report, no work results from other valuation institutions or experts has been used in this valuation process.
- (12) For other defects of the valuation target which may have an impact on the appraised value of assets, the asset valuation institution and its valuers accept no related responsibility for such defects which are not specified and are not generally brought to the attention of the valuers despite their professional experiences when being engaged.

**Summary of Asset Valuation Report in respect of Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited involved in Proposed Equity Transfer by Guangdong Join-Share Financing Guarantee Investment Co., Ltd.**

**Guang Jing Ping Bao Zi No. JX[2020] CAN060293**

**IMPORTANT**

**The aforesaid content is extracted from the full text of the asset valuation report. For the purpose of understanding the details of this valuation and an accurate comprehension of the conclusion of valuation, please refer to the full text of the asset valuation report carefully.**

Engaged by Guangdong Join-Share Financing Guarantee Investment Co., Ltd., Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd appraised the market value of Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited as of 31 March 2020, which is involved in the proposed equity transfer of Guangdong Join-Share Financing Guarantee Investment Co., Ltd., using appropriate valuation methods under the principles of independence, objectivity and fairness in accordance with the requirements of relevant laws, administrative regulations and asset valuation standards, and subject to the required valuation procedures. The asset valuation is currently summarized as follows:

**I. PURPOSE OF VALUATION**

According to the "Inside Information of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.", the potential disposal of the equity interests in Guangdong Yaoda Financial Leasing Company Limited will be made by Guangdong Join-Share Financing Guarantee Investment Co., Ltd.

The purpose of this valuation is to provide a basis for reference regarding the market value of Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited at the Valuation Date, which is involved in the proposed equity transfer of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.

**II. APPRAISED SUBJECT AND VALUATION SCOPE**

The appraised subject refers to the audited Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited at the Valuation Date. The valuation scope covers all of the audited assets and liabilities of Guangdong Yaoda Financial Leasing Company Limited at the Valuation Date.

### III. TYPE AND DEFINITION OF VALUE

This valuation uses the market value as the type of value in the valuation conclusion of this valuation report. The market value refers to the estimated value of the normal fair trade of the appraised subject on the Valuation Date when the voluntary buyer and the voluntary seller act independently and without any coercion.

### IV. VALUATION DATE

The Valuation Date is 31 March 2020.

### V. VALUATION METHOD

The asset-based approach (cost approach) and the income approach are employed for this valuation.

### VI. CONCLUSION OF VALUATION

#### (I) Conclusion of the valuation and analysis

As at 31 March 2020 (the Valuation Date), the audited book value of the total assets of the valuation target (recognised in the parent company) was RMB2,225,048,100, the book value of the total liabilities was RMB1,683,694,400, and the book value of the net assets was RMB541,353,700. The audited book value of the total assets of the valuation target (on a consolidated basis) was RMB2,335,444,400, the book value of the total liabilities was RMB1,738,928,000, the book value of the net assets was RMB596,516,400, and the equity attributable to the owners of the parent company was RMB543,418,800.

The asset-based approach (cost approach) and the income approach are employed for this valuation.

#### *1. Valuation results by using the asset-based approach (cost approach)*

The appraised value of the total assets is RMB2,227,299,600, and the appraised value of the total liabilities is RMB1,683,694,400, and the appraised value of the Total Shareholders' Equity is RMB543,605,200 (i.e. RMB Five Hundred Forty-Three Million Six Hundred Five Thousand and Two Hundred), with the incremental value of RMB2,251,500 or 0.42% over the book value recognised in the parent company and an incremental value of RMB186,400 or 0.03% over the book value on a consolidated basis.

The valuation results of various assets, liabilities and net assets are shown in the table below:

**Summary of Results under Asset-Based Approach (Cost Approach)**

*Unit: RMB ten thousand*

Item	Book Value	Appraised value	Increase or Decrease	Incremental rate %	
	A	B	C = B-A	D = C/A × 100%	
1	Current assets	145,025.14	145,025.14	—	—
2	Non-current assets	77,479.67	77,704.82	225.15	0.29%
3	Of which: Available-for-sale financial assets	—	—	—	—
4	Held-to-maturity investments	1,500.00	1,500.00	—	—
5	Long-term receivables	70,937.99	70,937.99	—	—
6	Long-term equity investment	4,000.00	4,229.05	229.05	5.73%
7	Investment properties	—	—	—	—
8	Fixed assets	65.61	61.72	-3.89	-5.93%
9	Construction in progress	—	—	—	—
10	Construction materials	—	—	—	—
11	Disposal of fixed assets	—	—	—	—
12	Productive biological assets	—	—	—	—
13	Oil and gas assets	—	—	—	—
14	Intangible assets	0.13	0.12	-0.01	-7.69%
15	R&D expenses	—	—	—	—
16	Goodwill	—	—	—	—
17	Long-term deferred expenses	154.76	154.76	—	—
18	Deferred income tax assets	821.18	821.18	—	—
19	Other non-current assets	—	—	—	—
20	<b>Total assets</b>	<u>222,504.81</u>	<u>222,729.96</u>	<u>225.15</u>	<u>0.10%</u>
21	Current liabilities	93,537.91	93,537.91	—	—
22	Non-current liabilities	<u>74,831.53</u>	<u>74,831.53</u>	—	—
23	<b>Total Liabilities</b>	<u>168,369.44</u>	<u>168,369.44</u>	—	—
24	<b>Net assets (owner's equity)</b>	<u>54,135.37</u>	<u>54,360.52</u>	<u>225.15</u>	<u>0.42%</u>

*Notes:* Analysis and explanation on the reason for the increase or decrease of asset valuation:

- (1) Analysis on the reason for the increase or decrease in fixed assets: after re-evaluation, the value of fixed assets such as vehicles is estimated through direct comparison or analysis by analogy of recent transaction prices of the same or similar assets in the market. The market approach, an approach of determining second-hand price with reference to the prevailing market price under the premise of continuous use, is employed in the asset valuation for calculating the appraised value. There is an impairment in vehicles due to the factors such as the functional and physical depreciations as a result of the rapid upgrade or replacement of vehicles. The replacement cost of fixed assets such as machinery and equipment declined due to regional price fluctuations. The cost method is employed in the asset valuation, i.e. on the premise of continuous use, the replacement cost is determined based on the current market price of repurchasing the asset, while the newness rate is determined through site inspection and comprehensive technical analysis, based on which, the appraised value is calculated. Since the cost method is employed to evaluate the machinery and equipment, there is an increase in value primarily due to the faster depreciation and amortization in terms of accounting than their actual depreciation.
- (2) Analysis on the reason for the impairment in intangible assets: the intangible assets mainly represent purchased software. After asking for price quotation in the market, we found the market price of this type of software has decreased, and the market approach is employed to calculate the appraised value, so there is an impairment.
- (3) Analysis on the reason for increase in the long-term equity investment: the entity involved in the long-term equity investment is Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司), the contributed and registered capital of which is RMB200 million. As for such registered capital, Guangdong Yaoda Financial Leasing Company Limited made a capital contribution of RMB80 million, representing 40% of the contributed registered capital. The actual paid-in registered capital of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) is RMB90 million, of which, Guangdong Yaoda Financial Leasing Company Limited contributed an actual capital of RMB40 million, representing 44.44% of the actual paid-in registered capital. As each shareholder of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) has not completed the capital contribution, the appraised value of the long-term equity investment for this valuation on the long-term equity investment was determined based on the appraised value of the owners' equity in the long-term equity investment as at the Valuation Date, which is calculated based on the actual capital contribution ratio.

## 2. Valuation results by using the income approach

The appraised value of the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited by using the income approach is RMB559,686,800 (In words: RMB Five Hundred Fifty-Nine Million Six Hundred Eighty-Six Thousand Eight Hundred), with an incremental value of the appraised value over the book value of net assets recognised in the parent company of RMB18,333,100 or 3.39%, and an incremental value of the appraised value over the book value of net assets on a consolidated basis of RMB16,268,000 or 2.99%.

### Total Shareholders' Equity Valuation Table

*Unit: RMB ten thousand*

Item	Amount
7. Present Value of Free Cash Flow	50,918.45
Add: Non-operating assets	—
Add: Surplus assets	—
Add: Value of long-term equity investment	4,229.05
Add: Value of held-to-maturity investment	—
Add: Deferred income tax assets	821.18
Less: Non-operating assets and liabilities, net	—
Less: Deferred income	—
8. Total Shareholders' Equity	55,968.68

## (II) Explanation on the Selection of Valuation Results

The appraised value of the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited by using the asset-based approach (cost approach) is RMB543,605,200, while the appraised value by using the income approach is RMB559,686,800. The difference in the valuation conclusion between the above two approaches is RMB16,081,600, and the difference rate is 2.96%. The primary reasons for such difference are:

The asset-based approach evaluates the fair market value of an asset from the perspective of asset replacement, which only reflects the individual value of the valuation target's assets, being the socially necessary labour consumed by investments in assets (procurement and construction costs), and cannot fully and reasonably represent the comprehensive profitability of each asset and the growth potential of the valuation target, or cover the value of intangible assets, such as contractual performance, customer resources, goodwill, and human resources. The procurement and construction costs usually change in line with the changes in the finance lease industry.

The income approach is to evaluate the value of the valuation target by discounting expected income, which not only takes into account the assets measured according to the accounting principles, but also take into account the resources beneficially owned or controlled by the enterprise that cannot be reflected in the balance sheet, such as contract performance, customer resources, sales network, potential projects, qualifications of the valuation target, human resources, strong product research and development capabilities, and the contribution of these resources to the enterprise is reflected in the valuation target's net cash flow, so the valuation conclusion using the income approach can better reflect the overall growth potential and profitability of the valuation target.

We believe that the value of an asset is usually not based on its replacement cost but market participants' expectations about its future income. After conducting investigation on the financial position of the valuation target and analysis of its operating status, taking into account the asset valuation target, purpose of valuation, and applicable type of value, and making comparative analysis, the valuers believe that the valuation conclusion by using the income approach can reflect the intrinsic value of the valuation target in a more comprehensive and reasonable way. Therefore, the valuation conclusion by using the income approach is adopted as the final conclusion of this valuation. That is to say, **the value of the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited using the income approach is RMB559,686,800 (In words: RMB Five Hundred Fifty-Nine Million Six Hundred Eighty-Six Thousand Eight Hundred), with an incremental value of the appraised value over the book value of net assets recognised in the parent company of RMB18,333,100 or 3.39%, and an incremental value of the appraised value over the book value of net assets on a consolidated basis of RMB16,268,000 or 2.99%.**

#### **VII. VALUATION REPORT DATE AND VALIDITY PERIOD OF THE VALUATION CONCLUSION**

The date of this valuation report is 1 June 2020, which is the date of forming the valuation professional opinion.

In accordance with the evaluation report standards and other prevailing regulations, "the Asset Valuation Report can be adopted in such extent that the Valuation Date is only less than one year away from the implementation date". The validity period for use of the valuation conclusion is one year from the Valuation Date, i.e. from 31 March 2020 (being the Valuation Date) to 30 March 2021.

#### **VIII. NOTES ON SPECIAL MATTERS**

The special matters stated in this valuation report refer to the relevant matters that the asset valuers have found after the valuation results have been determined, which may affect the valuation conclusion, but is beyond the competence of the asset valuers to make evaluation.

**(1) Important use of expert work and related reports:**

In this Valuation Report, the book value of assets and liabilities as at the Valuation Date was reported by the valuation target according to the adjusted amount of assets and liabilities based on the audit of Jonten Certified Public Accountants (LLP), who issued the “Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited” (No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087). The valuation was carried out on the basis of audit using the relevant information and data in the abovementioned audit report.

**(2) Incompletion and defect of ownership information**

No.

**(3) Relevant circumstances of limited valuation procedures, remedial measures taken by valuation institution and explanations of their impact on valuation conclusions**

No.

**(4) Other key information that the Client has not provided**

There is no other key information or assessment data that the Client has not provided, or there is no incomplete valuation data in this valuation.

**(5) Legal, economic and other pending matters on the Valuation Date**

The users of this report are advised that there are legal disputes and other matters as of the Valuation Date after making inquiry on the National Enterprise Credit Information Publicity System by the valuers but the impact of legal disputes on the asset prices has not been considered.

**(6) Matters that may have an impact on the valuation conclusions for the period from the Valuation Date to the date of the Asset Valuation Report**

Since the management of the valuation target and the valuers are unable to accurately estimate the impacts of the outbreak of novel coronavirus, which occurred in the PRC and persists as at the Valuation Date and prior to the reporting date, on the operations and business of Guangdong Yaoda Financial Leasing Company Limited, the valuation conclusion is estimated only based on the possible impact as at the date of the Valuation Report. The valuation conclusions will be affected if the actual impacts caused by the outbreak are significant different from the estimated impacts in the Valuation Report.

**(7) Matters such as guarantee, lease and their contingent liabilities (contingent assets)**

As at the Valuation Date, the valuation target had 7 short-term loans totaling RMB80,548,280.03, and 34 long-term loans totaling RMB449,648,793.06, which involved credit transactions with a number of financial institutions. According to the National Enterprise Credit Information Publicity System, the valuation target had several movable property mortgage registrations without any contingent liability or contingent asset to be declared. This valuation is on the premise that the valuation target has full rights to the valued assets without taking into account the impact on the appraised value caused by the other rights that may exist, including mortgages and guarantees.

**(8) The valuation target's implementation of the industry regulatory indicators formulated by the relevant state departments**

No.

**(9) Defects in the economic behaviour relating to this asset valuation, which may have a material effect on the valuation conclusion**

No.

**(10) Other issues to be explained**

1. Our asset valuers conducted the necessary check and verification for the information and sources of legal ownership of the appraised subject and its related assets provided by the valuation target, and the valuation depends to a large extent on the information provided by the Client and the valuation target. The Client and the valuation target shall be liable to any obligations in respect of the truthfulness, legality and completeness of the legal ownership information on the appraised subject provided.

2. As at 31 March 2020, the comparison between the financial position of Guangdong Yaoda Financial Leasing Company Limited reflected on the book and the audited financial position after the Asset and Capital Verification is compared as follows:

Recognised in the parent company:

Item	Book value as at	Audited amount after Asset and Capital Verification as at	Increase or decrease (+) 3 = 2-1
	31 March 2020 1	31 March 2020 2	
Total assets	2,206,453,090.62	2,225,048,059.63	18,594,969.01
Total liabilities	1,669,205,604.63	1,683,694,391.33	14,488,786.7
Total owner's equity	537,247,485.99	541,353,668.30	4,106,182.31

On a consolidated basis:

Item	Book value as at	Audited amount after Asset and Capital Verification as at	Increase or decrease (+) 3 = 2-1
	31 March 2020 1	31 March 2020 2	
Total assets	2,316,825,141.26	2,335,444,372.90	18,619,231.64
Total liabilities	1,722,511,525.81	1,738,927,998.67	16,416,472.86
Equity attributable to the owners of the parent company	540,073,937.77	543,418,750.67	3,344,812.90
Minority interests	54,239,677.68	53,097,623.56	-1,142,054.12
Total owner's equity	594,313,615.45	596,516,374.23	2,202,758.78

3. The valuation conclusion in this valuation report represents the value of the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited, and any part of Shareholders' Equity is not necessarily equal to the product of the value of the Total Shareholders' Equity and the shareholding percentage. Neither the premium or discount caused by factors such as controlling interests and minority interests, nor the impact of liquidity on the value of the appraised subject's equity has been taken into account in this valuation.
4. The entity involved in the long-term equity investment in this Valuation Report is Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司), as an investment target, whose contributed registered capital is RMB200 million. According to the National Enterprise Credit Information Publicity System, Guangdong Yaoda Financial Leasing Company Limited made a capital contribution of RMB80 million, representing 40% of the contributed registered capital.

According to the “Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited” (No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087) issued by Jonten Certified Public Accountants (LLP), the actual paid-in registered capital of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) is RMB90 million as at the Valuation Date, among which, Guangdong Yaoda Financial Leasing Company Limited actually made a capital contribution of RMB40 million, representing 44.44% of the actual paid-in registered capital, while Guangdong Rongsheng Electrical Holdings Company Limited and Foshan Zhonggewei Electronic Co., Ltd. (佛山市中格威電子有限公司) actually made a capital contribution of RMB30 million and RMB20 million, respectively. As each shareholder of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) has not completed the capital contribution, the appraised value of the long-term equity investment for this valuation was determined based on the appraised value of the equity in long-term equity investment attributable to the owners as at the Valuation Date, which is calculated based on the actual capital contribution ratio, being 44.44% by Guangdong Yaoda Financial Leasing Company Limited.

5. After making inquiries with the National Enterprise Credit Information Publicity System, the valuers draw the attention of the users of this report that Guangdong Weiji Investment Co., Ltd.\* (廣東維基投資有限公司), Foshan Precise Opportunity Investment Co., Ltd.\* (佛山市精準機會投資有限公司), Foshan Qiche Yunshu Group Co., Ltd.\* (佛山市汽車運輸集團有限公司) and Foshan Huajie Investment Co., Ltd.\* (佛山市華傑投資有限公司) pledged their equity interests in Guangdong Yaoda Financial Leasing Company Limited to Foshan Public Utilities Holdings Co., Ltd. (佛山市公用事業控股有限公司).
6. The valuation conclusion did not take into account the impacts of an additional price implicated by a special method on the appraised value and the taxes arising from the increase or decrease in appraised value, and should not be regarded as a guarantee for the realizable value of the appraised subject.
7. During the valuation, the judgment on the status of equipment, due to limited testing methods and some equipment being in operation, mainly depends on the observation of their appearance by asset valuers, relevant technical information, operation records provided by the valuation target, and enquiries made to operators.

8. Unless otherwise stated, this valuation did not take into account the impact of the mortgage, pledge, guarantee and other matters relating to the valuation target or related assets on the appraised value, nor did it take into account the changes in national macroeconomic policies and impacts of natural forces and other force majeure on the asset value.
9. For other defects of the valuation target which may have an impact on the appraised value of assets, the asset valuation institution and its valuers accept no related responsibility for such defects which are not specified and are not generally brought to the attention of the valuers despite their professional experiences when being engaged.

The analysis, judgments and conclusions of the valuation report issued by us are subject to the assumptions and constraints stated in this valuation report. The users of this valuation report should fully consider the assumptions, constraints, notes on special matters and their impacts on the valuation conclusions contained in this valuation report. Different data of assets and financial position indicators may cause changes to the appraised value, which is hereby brought to the attention of the users of the report.

**Full text of  
Asset Valuation Report in respect of Total Shareholders' Equity of  
Guangdong Yaoda Financial Leasing Company Limited involved in  
Proposed Equity Transfer by Guangdong Join-Share Financing  
Guarantee Investment Co., Ltd.**

**Guang Jing Ping Bao Zi No. JX[2020] CAN060293**

**To Guangdong Join-Share Financing Guarantee Investment Co., Ltd.:**

Engaged by the Company, Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd appraised the market value of Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited as of 31 March 2020, which is involved in the proposed equity transfer of Guangdong Join-Share Financing Guarantee Investment Co., Ltd., using the asset-based approach (cost approach) and the income approach under the principles of independence, objectivity and fairness in accordance with the requirements of relevant laws, regulations and asset valuation standards, and subject to the required valuation procedures. We report the details of the asset valuation as follows:

**I. THE CLIENT, THE VALUATION TARGET AND ASSET VALUATION  
REPORT USERS OTHER THAN THE CLIENT**

**(I) Particulars of the Client**

Client: Guangdong Join-Share Financing Guarantee Investment Co., Ltd.

**1. Basic Profile**

Full name:	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.;
Unified social credit code:	91440600749993593Y;
Type:	a company limited by shares (listed and invested or controlled by natural person);
Legal representative:	Wu Liejin (吳列進);
Registered capital:	RMB1,560.792687 million;

Address: Unit 2202–2212, 22/F, Chuangye Plaza, No. 215 Fenjiang Middle Road, Chancheng District, Foshan;

Scope of Business: To provide companies and individuals with financing guarantees, such as loan guarantee, bill acceptance guarantee, trade financing guarantee, project financing guarantee, and letter of credit guarantee; to concurrently engage in litigation attachment guarantee and performance guarantee; and to provide intermediary services relating to its guarantee business, such as financing and financial advisor; and make investments with their own funds (business activities which require approvals under the law shall be subject to the approval from competent authorities)

Date of incorporation: 23 May 2003

## (II) Particulars of the Valuation Target

The valuation target is Guangdong Yaoda Financial Leasing Company Limited

### 1. *Basic profile*

Full name: Guangdong Yaoda Financial Leasing Company Limited;

Unified social credit code: 914403003592412499 ;

Type: Limited liability company (a joint venture by Taiwan, Hong Kong and Macao and Mainland China);

Legal representative: Fang Liping (方利平);

Registered capital:	RMB425 million;
Address:	Unit D, 28/F (31/F nominally), AIA Financial Centre, No. 1 Denghu East Road, Guicheng Street, Nanhai District, Foshan City (Declaration of residence);
Scope of Business:	financial leasing (other than financial business); leasing business; acquisition of assets for lease from home and abroad; leased asset salvaging and maintenance; advice on Leasing transaction and guarantee; to concurrently engage in commercial factoring that supports its main business. (The above business activities do not involve Special Administrative Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施)) (business activities which require approvals under the law shall be subject to the approval from competent authorities.) (The projects, which are subject to approval in accordance with the laws, shall be operated only after obtaining approval from the relevant authorities)
Date of incorporation:	6 November 2015

## 2. Current shareholding structure and operation status of the valuation target

On 6 November 2015, Guangdong Yaoda Financial Leasing Company Limited was established, and was jointly funded/sponsored by Foshan Public Utilities Holdings Co., Ltd.\* (佛山市公用事業控股有限公司), Lucky Crown Holdings Limited (福冠集團有限公司), Guangdong Weiji Investment Co., Ltd.\* (廣東維基投資有限公司), Foshan Qiche Yunshu Group Co., Ltd.\* (佛山市汽車運輸集團有限公司), Foshan Huajie Investment Co., Ltd.\* (佛山市華傑投資有限公司) and Foshan Precise Opportunity Investment Co., Ltd.\* (佛山市精準機會投資有限公司) with an actual capital contribution of RMB300,000,000 in cash. The capital contribution and equity structure are as follows:

No.	Name of Shareholder	Date of investment	Shareholding percentage	Capital contribution
1	Foshan Public Utilities Holdings Co., Ltd.* (佛山市公用事業控股有限公司)	2015	30.00%	90,000,000.00
1	Lucky Crown Holdings Limited (福冠集團有限公司)	April 2016	25.00%	75,000,000.00
2	Foshan Precise Opportunity Investment Co., Ltd.* (佛山市精準機會投資有限公司)	April 2016	6.00%	18,000,000.00
3	Guangdong Weiji Investment Co., Ltd.* (廣東維基投資有限公司)	2015	20.00%	60,000,000.00
4	Foshan Qiche Yunshu Group Co., Ltd.* (佛山市汽車運輸集團有限公司)	2015	14.00%	42,000,000.00
5	Foshan Huajie Investment Co., Ltd.* (佛山市華杰投資有限公司)	2015	5.00%	15,000,000.00
	Total		<u>100.00%</u>	<u>300,000,000.00</u>

On 13 September 2017, Foshan Public Utilities Holdings Co., Ltd.\* (佛山市公用事業控股有限公司), a shareholder of Guangdong Yaoda Financial Leasing Company Limited, transferred its 30% of the equity interests to its wholly-owned subsidiary, Foshan Financial Investment Holdings Co., Ltd. The capital contribution and shareholding structure are as follows:

The following table sets out shareholding structure:

No.	Name of Shareholder	Date of investment	Shareholding percentage	Capital contribution
1	Lucky Crown Holdings Limited (福冠集團有限公司)	April 2016	25.00%	75,000,000.00
2	Foshan Precise Opportunity Investment Co., Ltd.* (佛山市精準機會投資有限公司)	April 2016	6.00%	18,000,000.00
3	Guangdong Weiji Investment Co., Ltd.* (廣東維基投資有限公司)	2015	20.00%	60,000,000.00
4	Foshan Qiche Yunshu Group Co., Ltd.* (佛山市汽車運輸集團有限公司)	2015	14.00%	42,000,000.00
5	Foshan Huajie Investment Co., Ltd.* (佛山市華傑投資有限公司)	2015	5.00%	15,000,000.00
6	Foshan Financial Investment Holdings Co., Ltd. (佛山市金融投資控股有限公司)	November 2017	30.00%	90,000,000.00
	Total		<u>100.00%</u>	<u>300,000,000.00</u>

On 7 December 2018, according to the Resolution of the First Meeting of the Second Board of Directors of Guangdong Yaoda Financial Leasing Company Limited and the revised Articles, Foshan Financial Investment Holdings Co., Ltd. and Foshan Qiche Yunshu Group Co., Ltd.\*, both of which are the former shareholders, increased their registered capital, and Guangdong Join-Share Financing Guarantee Investment Co., Ltd. and Join-Share Financial Holdings Co., Limited (中盈盛達金融控股有限公司) made capital contribution and become new shareholders. The capital contribution and shareholding structure are as follows:

The following table sets out the shareholding structure:

No.	Name of Shareholder	Date of investment	Shareholding percentage	Capital contribution
1	Foshan Financial Investment Holdings Co., Ltd. (佛山市金融投資控股有限公司)	November 2019	24.71%	105,000,000.00
2	Lucky Crown Holdings Limited (福冠集團有限公司)	April 2016	17.65%	75,000,000.00
3	Guangdong Weiji Investment Co., Ltd.* (廣東維基投資有限公司)	2015	14.12%	60,000,000.00
4	Foshan Qiche Yunshu Group Co., Ltd.* (佛山市汽車運輸集團有限公司)	November 2019	14.00%	59,500,000.00
5	Foshan Huajie Investment Co., Ltd.* (佛山市華傑投資有限公司)	2015	3.53%	15,000,000.00
6	Foshan Precise Opportunity Investment Co., Ltd.* (佛山市精準機會投資有限公司)	April 2016	4.24%	18,000,000.00
5	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	November 2019	14.41%	61,250,000.00
6	Join-Share Financial Holdings Co., Limited (中盈盛達金融控股有限公司)	November 2019	7.35%	31,250,000.00
	Total		<u>100.00%</u>	<u>425,000,000.00</u>

The contribution amount was confirmed by Foshan DaZheng Certified Public Accountants Co., Ltd. (佛山市達正會計師事務所有限公司) on 11 March 2020, in the Capital Verification Report coded Fo Da Yan Zi No. A20-06-J [2020].

As of the Valuation Date, the main changes of Guangdong Yaoda Financial Leasing Company Limited are as follows:

Item to be changed	Before change	After change	Date of change
Change in shareholders	See above	There are changes in shareholders (see above)	25 September 2019
Shareholder registration	Chen Jinxiang (陳錦祥) (Director); Fang Liping (方利平) (general manager); Fang Liping (方利平) (Chairman (legal representative)); Feng Bingxiong (馮炳雄) (Supervisor); Liang Haixuan (梁海旋) (Director); Lin Guodong (林國棟) (Director (elected at the general meeting of the employee representatives)); Liu Weixiong (劉偉雄) (Director); Ou Xiaojun (歐曉鈞) (Supervisor (elected at the general meeting of the employee representatives)); Xie Ming (謝明) (Director); Xu Guan (許冠) (Director); Yuan Chen (袁晨) (Director); Zhong Xichang (鐘錫常) (Director); Zhou Jihua (周繼華) (Supervisor)	Chen Jinxiang (陳錦祥) (Director); Fang Liping (方利平) (general manager); Fang Liping (方利平) (Chairman (legal representative)); Feng Bingxiong (馮炳雄) (Supervisor); Lin Guodong (林國棟) (Director (elected at the general meeting of the employee representatives)); Liu Weixiong (劉偉雄) (Director); Ou Xiaojun (歐曉鈞) (Supervisor (elected at the general meeting of the employee representatives)); Wu Liejin (Director); Xie Ming (謝明) (Director); Xu Guan (許冠) (Director); Yuan Chen (袁晨) (Director); Zhong Xichang (鐘錫常) (Director); Zhou Jihua (周繼華) (Supervisor); Zhou Jihua (周繼華) (Chairman of Board of Supervisors)	25 September 2019
Changes in registered capital (fund)	RMB300 million	RMB425 million (+ 41.67%)	25 September 2019

Item to be changed	Before change	After change	Date of change
Change in scope of business	Finance lease; leasing business; acquisition of assets for lease from home and abroad; leased asset salvaging and maintenance; advice on Leasing transaction and guarantee; to concurrently engage in commercial factoring that supports its main business.	Finance lease (other than financial business); leasing business; acquisition of assets for lease from home and abroad; leased asset salvaging and maintenance; advice on Leasing transaction and guarantee; to concurrently engage in commercial factoring that supports its main business. (The above business activities do not involve Special Administrative Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施)) (business activities which require approvals under the law shall be subject to the approval from competent authorities.)	27 September 2018
Address/place of business	Room 201, Block A, No. 1 Qian Wan Yi Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (premises of Shenzhen Qianhai Business Secretarial Company Limited)	Unit D, 28/F (31/F nominally), AIA Financial Centre, No. 1 Denghu East Road, Guicheng Street, Nanhai District, Foshan City (Declaration of residence)	27 September 2018
Other information on Directors	Zhong Xichang (鐘錫常) (Director), Lin Guodong (林國棟) (Director), Yuan Chen (袁晨) (Director), Xu Guan (許冠) (Director), Feng Jinzhao (馮錦釗) (Director), Liang Lieke (梁列克) (Director), Chen Junying (陳俊瑩) (Director), Chen Jinxiang (陳錦祥) (Director)	Liang Lieke (梁列克) (Director), Zhong Xichang (鐘錫常) (Director), Yuan Chen (袁晨) (Director), Xu Guan (許冠) (Director), Chen Jinxiang (陳錦祥) (Director), Feng Jinzhao (馮錦釗) (Director), Wu weixin (吳偉欣) (Director), Lin Guodong (林國棟) (Director)	11 February 2018

### 3. *Corporate organization structure*

Guangdong Yaoda Financial Leasing Company Limited established the Board, which is the highest authority of the company. The Board consists of 9 Directors, including 3 Directors appointed by Foshan Financial Investment Holdings Co., Ltd. (佛山市金融投資控股有限公司), as well as 1, 1, 1, 1, and 1 Director appointed by each of Guangdong Weiji Investment Co., Ltd.\* (廣東維基投資有限公司), Lucky Crown Holdings Limited (福冠集團有限公司), Foshan Qiche Yunshu Group Co., Ltd\* (佛山市汽車運輸集團有限公司), Foshan Precise Opportunity Investment Co., Ltd.\* (佛山市精準機合投資有限公司) and Guangdong Join-Share Financing Guarantee Investment Co., Ltd.; and 1 employee representative director elected by the employees of the company at the general meeting of employees' representatives, employee meeting or otherwise by democratic election. The Board has one chairman, appointed by Foshan Financial Investment Holdings Co., Ltd. (佛山市金融投資控股有限公司), as the company's legal representative.

The company established a board of supervisors, consisting of 3 supervisors, including 1 supervisor appointed by Foshan Qiche Yunshu Group Co., Ltd\* (佛山市汽車運輸集團有限公司), 1 supervisor appointed by Foshan Huajie Investment Co., Ltd.\* (佛山市華傑投資有限公司) and 1 employee representative supervisor elected by the employees of the company at the general meeting of employees' representatives, employee meeting or otherwise by democratic election.

The company set up an operation and management division to be in charge of the daily operation and management of the company, which shall be accountable to the Board. The company has a general manager, nominated by the chairman, and appointed by the Board. The company has deputy general manager(s) to assist the general manager in his or her work. The deputy general manager(s) will act as the general manager when necessary with authorization of the general manager or the Board.

4. The financial position and operating results of Guangdong Yaoda Financial Leasing Company Limited (recognised in the parent company) in the recent years are summarized in the table below:

*Unit: RMB*

Item	31 December 2017	31 December 2018	31 December 2019	31 March 2020
Total assets	1,225,495,764.40	1,784,585,517.26	2,196,605,534.88	2,225,048,059.63
Liabilities	892,369,384.36	1,429,321,219.07	1,668,231,822.18	1,683,694,391.33
Net assets	333,126,380.04	355,264,298.19	528,373,712.70	541,353,668.30
Item	Year 2017	Year 2018	Year 2019	31 March 2020
Major operating revenue	90,881,585.97	119,886,283.44	174,267,778.00	49,060,342.52
Major operating profit	40,127,168.78	53,601,252.24	60,244,845.05	17,306,421.04
Net profit	30,040,905.66	40,137,918.15	44,984,414.51	12,979,807.26

The financial position and operating results of Guangdong Yaoda Financial Leasing Company Limited (on a consolidated basis) in the recent years are summarized in the table below:

*Unit: RMB*

Item	31 December 2018	31 December 2019	31 March 2020
Total assets	1,814,585,517.26	2,302,967,718.57	2,335,444,372.90
Liabilities	1,429,321,219.07	1,721,583,701.41	1,738,927,998.67
Equity attributable to the owners of the parent company	355,264,298.19	529,577,834.48	543,418,750.67
Minority interests	30,000,000	51,806,182.68	53,097,623.56
Owner's equity	385,264,298.19	581,384,017.16	596,516,374.23
Item	Year 2018	Year 2019	January-March 2020
Major operating revenue	119,886,283.44	182,392,733.73	52,451,421.95
Major operating profit	53,601,252.24	64,324,360.29	20,176,289.67
Net profit attributable to the parent company	40,137,918.15	46,188,536.29	40,137,918.15
Profit or loss attributable to minority shareholders	0.00	1,806,182.68	0.00
Net profit	40,137,918.15	47,994,718.97	15,132,208.73

The financial position and operating results of 2017 abovementioned were confirmed by Jonten Certified Public Accountants (LLP) in its audit report (Zhong Tian Yun Shen Zi No. 90886 [2018]). The financial position and operating results of 2018 were confirmed by Jonten Certified Public Accountants (LLP) in its audit report (Zhong Tian Yun Shen Zi No. 90334 [2019]). The financial position and operating results of 2019 were confirmed by Jonten Certified Public Accountants (LLP) in its audit report (Zhong Tian Yun Shen Zi No. 90132 [2020]). The financial position as at 31 March 2020 was confirmed in the “Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited” (No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087) issued by Jonten Certified Public Accountants (LLP) and provided by the Client, and the operating results is confirmed in the financial statements provided by the Client.

#### 5. Basic information on external investments (holding subsidiaries)

Company name	Principal place of business	Place of registration	Nature of Business	Type of subsidiary	Shareholding percentage
Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司)	Foshan, Guangdong	Room 1123, Building B4, Nansha Wanda Plaza, 181 Binhai Road, Nansha District, Guangzhou (office only)	Business services	Holding subsidiary	40.00%

The following table sets out the shareholding structure:

No.	Name of Shareholder	Shareholding percentage	Subscription amount
1	Guangdong Yaoda Financial Leasing Company Limited	40.00%	80,000,000.00
2	Guangdong Rongsheng Electrical Holdings Company Limited	30.00%	60,000,000.00
3	Foshan Zhonggewei Electronic Co., Ltd. (佛山市中格威電子有限公司)	30.00%	60,000,000.00

Guangdong Yaoda Financial Leasing Company Limited holds 40% of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司), but participate in its daily operational decision-making by appointing key management personnel of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司), so as to control the financial and operating policies of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司). According to the National Enterprise Credit Information Publicity System, Guangdong Rongsheng Electrical Holdings

Company Limited and Foshan Zhonggewei Electronic Co., Ltd. (佛山市中格威電子有限公司) pledged their equity interests in Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) to Guangdong Yaoda Financial Leasing Company Limited, as the pledgee.

According to the “Annual Audit Report of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司)” (Zhong Tian Yun [2020] Shen Zi No. 00435) issued by Jonten Certified Public Accountants (LLP) and provided by the Client, the shareholding structure and actual capital contribution of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) are as follows:

No.	Name of Shareholder	Actual shareholding percentage	Actual capital contribution
1	Guangdong Yaoda Financial Leasing Company Limited	44.44%	40,000,000.00
2	Guangdong Rongsheng Electrical Holdings Company Limited	33.33%	30,000,000.00
3	Foshan Zhonggewei Electronic Co., Ltd. (佛山市中格威電子有限公司)	22.23%	20,000,000.00
	Total	<u>100.00%</u>	<u>90,000,000.00</u>

#### 6. Profile and Main Product of the Company

Guangdong Yaoda Financial Leasing Company Limited is a Sino-foreign joint venture finance lease company of the state-owned holding mixed ownership in Foshan. Adhering to the development concept and model of organic integration of the finance and industry, the company actively responds to the call of financial institutions serving the real economy. By utilizing a strong shareholder background and professional advantages of its team, the company, in compliance with high standards and strict requirements of listed companies and its principle of “stretching the Pearl River Delta region based on Foshan”, actively transforms its development model and creates new financing model. These initiative will promote the coordinated development of scale, quality, structure and benefit, with an aim to optimize the business structure during the professional development, enrich the profitable channels with innovation, and enhance its management level together with its growth. The company makes its best efforts to become a professional finance lease company with top comprehensive strength, outstanding expertise, leading profitability, excellent asset quality and good brand image in the next five years, which provides customers with comprehensive financial services such as direct leasing, sale and lease back, and commercial factoring.

Since the establishment, the company has continuously standardized its business processes, clearly refined the business market, and strengthened its capital strength. At the end of 2018, Yaoda Leasing Company initiated the establishment of a commercial factoring company, which is now the largest shareholder of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司). In April 2019, as directed by the Foshan Financial District, the company took the lead in organizing the establishment of the Foshan Financial Leasing Association (佛山市融資租賃行業協會) and served as the first president unit of the Association.

Characterized by high-level education, strong professionalism, and youth, all employees of the company have graduated from regular colleges or universities at home and abroad. At present, employees holding master's degree account for 16%, and employees holding bachelor's degree account for 65%. The core personnel are professionals from different industries such as finance, banking, guarantee, and law. All of them are elites with a reputation in the market and deep understandings in industrial finance. 80% of the employees are under the age of 40, which will maintain an experienced and energetic team in terms of the structural distribution. It is an excellent team integrated with knowledge, commitment, professionalism, efficiency and service.

Under the new regulation, Yaoda Leasing Company will adjust its development position in due course, and unswervingly support the development of Foshan's real economy by giving full play to the unique advantages of state-owned holding companies in accordance with national strategy and based on the development needs of local industry. In addition to the fulfillment of its social responsibility of supporting the real economy, it will also continue to create new business models and adjust its business directions to gradually realize professional development.

### **(III) Relationship between the Client and the valuation target**

In this valuation, Guangdong Join-Share Financing Guarantee Investment Co., Ltd., the shareholder of Guangdong Yaoda Financial Leasing Company Limited, intends to assess the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited in respect of the proposed equity transfer.

### **(IV) Other report users other than the Client**

According to the Assets Valuation Engagement Contract, the Client and the users of the report specified by national laws and regulations shall be the lawful users of the valuation report. Unless otherwise stipulated by the national laws and regulations, any agencies or individuals without confirmation from the valuation institution and the Client shall not become a user of this valuation report by virtue of the access to this report.

## II. PURPOSE OF VALUATION

According to the “Inside Information of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.”, the potential disposal of the equity interests in Guangdong Yaoda Financial Leasing Company Limited will be made by Guangdong Join-Share Financing Guarantee Investment Co., Ltd.

The purpose of this valuation is to provide a basis for reference regarding the market value of Shareholders’ Equity of Guangdong Yaoda Financial Leasing Company Limited at the Valuation Date, which is involved in the proposed equity transfer of Guangdong JoinShare Financing Guarantee Investment Co., Ltd.

## III. APPRAISED SUBJECT AND VALUATION SCOPE

### (I) Overview of the appraised subject and scope

#### 1. *The appraised subject*

The appraised subject of this valuation is the audited Total Shareholders’ Equity of Guangdong Yaoda Financial Leasing Company Limited at the Valuation Date.

#### 2. *The valuation scope*

The scope of valuation is all of the audited assets and liabilities of Guangdong Yaoda Financial Leasing Company Limited at the Valuation Date. As of the Valuation Date, the book value of the total audited assets of Guangdong Yaoda Financial Leasing Company Limited (recognised in the parent company) was RMB2,225,048,100 (including: current assets of RMB1,450,251,400 and non-current assets of RMB774,796,700). The book value of the total liabilities was RMB1,683,694,400 (including: current liabilities of RMB935,379,100 and non-current liabilities of RMB748,315,300). The book value of the net asset was RMB541,353,700.

The summary of main assets and liabilities as at the Valuation Date is set out below table:

*Unit: RMB*

Name of Item	Book value
<b>I. Total current assets</b>	<b>1,450,251,370.64</b>
Monetary capital	216,938,489.39
Trading financial assets	—
Notes receivables	—
Accounts receivable	380,486,558.95
Prepayments	233,285.55
Interest receivables	—
Dividend receivables	—
Other receivables	23,810,024.27
Inventory	—
Non-current assets due within one year	804,135,811.96
Other current assets	24,647,200.52
<b>II. Total non-current assets</b>	<b>774,796,689.00</b>
Available-for-sale financial assets	—
Held-to-maturity investments	15,000,000.00
Long-term receivables	709,379,898.44
Long-term capital injection	40,000,000.00
Investment properties	—
Fixed assets	656,144.57
Construction in progress	—
Construction materials	—
Disposal of fixed assets	—
Productive biological assets	—
Oil and gas assets	—
Intangible assets	1,252.35
Development expenditures	—
Goodwill	—
Long-term deferred expenses	1,547,596.26
Deferred income tax assets	8,211,797.37
Other non-current assets	—
<b>III. Total assets</b>	<b>2,225,048,059.63</b>
<b>IV. Total current liabilities</b>	<b>935,379,098.27</b>
Short-term borrowings	80,548,280.03
Trading financial liabilities	—
Notes payables	—
Accounts payable	—
Advance from customers	15,139,503.24
Payroll payables	3,123,555.17
Tax payables	9,163,720.48
Interest payables	—
Dividend payables	—
Other payables	312,179,491.73
Non-current liabilities due within one year	515,224,547.62
Other current liabilities	—

Name of Item	Book value
<b>V. Total non-current liabilities</b>	<b>748,315,293.06</b>
Long-term borrowings	449,648,793.06
Bonds payables	98,666,500.00
Long-term payables	200,000,000.00
Specific payables	—
Estimated liabilities	—
Deferred income tax liabilities	—
Other non-current liabilities	—
<b>VI. Total liabilities</b>	<b>1,683,694,391.33</b>

The financial data in the above report is provided by the enterprise, which is audited and confirmed by Jonten Certified Public Accountants (Limited Liability Partnership), who issued the “Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited” (No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087). The appraised subject and scope of this valuation are consistent with those involved in the economic behavior.

### 3. *Significant accounting policies currently adopted by the valuation target*

#### (1) *Accounting year*

The accounting year of the Company is from 1 January to 31 December of each calendar year.

#### (2) *Reporting currency*

The Company’s books of accounts are maintained in Renminbi (“RMB”).

#### (3) *Financial instruments*

##### A Classification, recognition and measurement of financial instruments

Financial instruments are classified as financial assets or financial liabilities.

Financial assets are classified at the initial recognition as: financial assets at fair value through profit or loss (including trading financial assets and financial assets measured at fair value through profit or loss); held-to-maturity investments; loans and receivables; and available-for-sale financial assets. The classification of financial assets other than receivables depends on intention and capacity of Yaoda Financial Leasing Company and its subsidiaries to hold financial assets.

Financial liabilities are classified at the initial recognition as: financial liabilities at fair value through profit or loss (including trading financial assets and financial liabilities measured at fair value through profit or loss) and other financial liabilities.

When Yaoda Financial Leasing Company becomes a party to a financial instrument contract, it is recognized as a financial asset or financial liability.

**B Basis for recognition and measurement method of transferred financial assets**

Basis for recognition of transferred financial assets for Yaoda Financial Leasing Company: the financial assets shall be derecognized in the event that almost all the risks and rewards of the ownership of such financial assets have been transferred, or there is neither transfer nor retention of almost all risks and rewards in the ownership of financial assets, but the control of the financial assets is abandoned.

Measurement of transferred financial assets for Yaoda Financial Leasing Company: if the transfer of financial assets meets the conditions for derecognition, the difference between the book value of the transferred financial assets and the sum of the consideration received as a result of the transfer and the cumulative change in fair value that was originally directly recognized in other comprehensive income is included in the profit or loss for the period.

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the overall transferred financial assets is apportioned between the derecognition portion and the non-derecognition portion at their respective fair values, and the difference between the book value of the derecognition portion and the sum of the consideration for the derecognition portion and the accumulated change in fair value corresponding to the derecognition portion that was originally directly recognized in other comprehensive income is included in the profit or loss for the period.

*(4) Receivables*

The receivables of Yaoda Financial Leasing Company mainly include notes receivables, accounts receivable, factoring receivables, long-term receivables and other receivables. If there is objective evidence on the balance sheet date that it is impaired, Yaoda Financial Leasing Company recognizes the impairment loss based on the difference between its book value and the present value of the expected future cash flow.

- a The receivables that are individually significant and subject to separate provision for bad debts:

The basis for judgment of individually significant amount or amount criteria	The Yaoda Financial Leasing Company classifies other receivables and prepayments from non-related parties with a balance of more than RMB1 million into receivables with significant single amount on the balance sheet date. The receivables arising from the finance lease business, factoring business and entrusted loan business shall not be taken as the receivables that are individually significant, but included in the credit risk feature combination for provision.
Method to provision for bad debts are individually significant and subject to separate provision	The impairment test shall be made separately. If there is objective evidence that they have been impaired, provision for bad debts shall be made base on the differences between book values and the present value of future cash flows, and bad debt loss shall be recognized in the profit or loss for the period. The receivables that have not been impaired after testing separately are classified as receivables with impairment provision based on the ageing combination, and the provision for impairment will be made.

- b Provision for bad debts of receivables based on credit risk feature combination:

**Accrual method for provision for bad debts based on credit risk feature combination**

Combination 1	Receivables arising from finance lease business, commercial factoring business and entrusted loan business	Five-tier classification method for provision for bad debts
Combination 2	A combination of receivables that generally not to be made provision for bad debts	Except for there is objective evidence that it has been impaired, provision for bad debts is generally not made
Combination 3	Those other than rent, entrusted loans, factoring facility fund and receivables that generally not to be made provision for bad debts	Balance percentage method

In the combination 1, the five-tier classification method is used to make provision for bad debts:

<b>Aging</b>	<b>Finance lease business (%)</b>	<b>Commercial factoring business (%)</b>
Normal class	1.5	1
Special mention	3	3
Subordinated classes	30	30
Doubtful	60	60
Loss	100	100

In the combination 2, a combination of receivables generally not to be made provision for bad debts:

Mainly includes receivables with little credit risk such as employee reserve funds, deposits, various types of margin, receivables from government, and receivables from related parties.

In the combination 3, the provision for bad debts is made by balance percentage method:

Name of combination	Proportion of provision forAccounts receivable (%)	Proportion of provision forOther receivables (%)
Those other than rent, entrusted loans, factoring facility fund and receivables that generally not to be made provision for bad debts	0.5	0.5
c The receivables that are not individually significant but subject to separate provision for bad debts:		
Reason for making individual bad debt provision	There is objective evidence indicates impairment	
Method of making provision for bad debt	Recognized based on the differences between book value and the present value of estimated future cash flows	

(5) *Non-current assets held for sale and disposal groups*

Guangdong Yaoda Financial Leasing Company Limited classifies its non-current assets held for sale and disposal groups based on the following criteria: ① the assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions ; ② if the disposal plan is conditional on the approval of the relevant authorities or supervision departments, such approval has been obtained ; ③ such disposal are very likely to take place, which is, the enterprise has made resolutions on the disposal plan and obtained definite purchase commitment from any buyer, and the disposal is estimated to be completed within one year.

Guangdong Yaoda Financial Leasing Company Limited represents the non-current assets or disposal groups satisfied with holding for sale as “assets held for sale” under current assets in the balance sheet separately or liabilities directly related to the assets classified as held for sale represented as “liabilities held for sale” under current liabilities.

(6) *Long-term equity investment*

A Determination of initial investment cost

- a Long-term equity investment acquired through a business combination: for a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the acquirer’s share of the book value of the owners’ equity in the acquiree in the combined financial statements of the ultimate controlling party at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition;
- b For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid;
- c For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued;
- d For a long-term equity investment acquired by exchange of non-cash assets or debt restructuring, the initial investment cost shall be determined according to related accounting standards.

B Subsequent measurement and method for recognition of profit or loss

There is cost method and equity method for the subsequent measurement of long-term equity investments. For long-term investments measured using equity method, the share of net profits or losses and other comprehensive income of the investment target shall be recognized as investment income or loss and other comprehensive income, respectively, and the long-term equity investment shall be adjusted accordingly. Profit distributions or cash dividends declared by the investment target shall be recognized as a deduction of carrying value of long-term equity investments; as to other changes in the owners' equity of the investment target other than the net losses or profits, other comprehensive income and profit distribution, the long-term equity investment and owners' equity should be adjusted.

For long-term equity investments measured using cost method, the book value shall remain unchanged except for additional investment or collection of investment. Profit distributions or cash dividends declared by the investment target shall be recognized as investment income.

When an investing enterprise can exercise joint control or significant influence over the investment target, a long-term equity investment shall be accounted for using the equity method, and others under control should be accounted for using the cost method.

(7) *Fixed assets*

A Recognition conditions of fixed assets

Fixed assets are tangible assets that are held by the Company for production of products or supply of services, for rental purposes, or for administrative purposes, and have useful lives more than one accounting year. They are recognized when all the following conditions are satisfied:

- a Economic benefits in relation to the fixed assets are very likely to flow into the enterprise;
- b The cost of the fixed assets can be calculated in a reliable way.

## B Classification and depreciation methods for fixed assets

Main fixed assets held by Guangdong Yaoda Financial Leasing Company Limited are office furniture, electronic equipment, and transportation tools etc. Depreciation is provided under the straight-line method. The Company determines the useful life and estimates net residual value of a fixed asset according to the nature and use pattern of the fixed asset. The Company, at the end of each year, reviews the useful life, expected residual value and the depreciation method of the fixed assets, in which case adjustments will be made accordingly to such extent that they differ from their previous estimates. Guangdong Yaoda Financial Leasing Company Limited provides depreciation for all its fixed assets other than fully depreciated fixed assets that are still in use and land individually accounted for.

Asset class	Depreciation methods	Depreciation period (year)	Estimated residual value (%)	Annual depreciation rate (%)
Office furniture	straight-line method	5	5	19
Electronic equipment	straight-line method	5	5	19
Transportation equipment	straight-line method	10	5	9.5

## C Recognition, measurement and depreciation of fixed assets under finance lease

Recognition of fixed assets under finance lease: the nature of this kind of lease is a transfer of all risk and rewards related to the ownership of assets. For the purposes of recognition, one or more conditions are satisfied as follows: ① the lessor transfers the ownership of asset to the lessee by the expiration of the lease term; ② the lessee has the option to purchase the asset at a price that is expected to be significantly lower than the fair value at the date when the option becomes exercisable for the lessee to be reasonably certain, at the inception of lease, that the option will be exercised; ③ the lease term represents the major part of the economic life of the asset even if the title is not transferred; ④ at the inception of the lease, the present value of the minimum lease payments is almost equivalent to the fair value of the leased asset; and ⑤ the leased assets are of such a special nature that only the lessee can use them without major modification.

Measurement of fixed assets under finance lease: the initial amount of a fixed asset under finance lease should be the lower of the fair value of the leased asset at the beginning date of lease term and the present value of minimum lease payment.

Subsequent measurement of fixed assets under finance lease should be in compliance with the accounting policies adopted for self-owned fixed assets in respect of provision of depreciation.

(8) *Intangible assets*

A Measurement of intangible assets

Intangible assets of Guangdong Yaoda Financial Leasing Company Limited should be initially measured at cost. The actual cost of purchased intangible assets should include the consideration paid and relevant expenditures. The actual cost of intangible assets invested in by investors should be the fair value according to the investment contract or agreed value but the actual cost shall be measured at cost if the contract or the agreed value is not at arm's length. The cost of self-developed intangible assets is the total expenses before it achieves the predicted condition of use.

Subsequent measurement of intangible assets of Guangdong Yaoda Financial Leasing Company Limited: ① intangible assets with finite useful lives should adopt the straight-line amortization method and the Company shall, at the end of each year, review the useful life and the amortization method of the intangible assets, and make adjustments accordingly if they differ from the estimated figures; and ② intangible assets with indefinite useful lives shall not be amortized, but require an annual review of useful lives at the end of the year. If it is evident that there are intangible assets with definite useful lives, it should be amortized under the straight-line method after estimating its useful life.

B Estimated useful life of the intangible assets with limited useful lives

As for the intangible assets with the limited useful life, Guangdong Yaoda Financial Leasing Company Limited generally considers the following factors when estimating its useful life: ① the information about the ordinary useful life of the products made by using the assets and the useful life of the available similar assets; ② the estimates of the current conditions and future development trends in the technology, process, etc.; ③ the market demand for the products made and labour services provided by the assets; ④ the action expected to be taken by the current and potential competitors; ⑤ the expected maintenance expenses for maintaining the economic benefits brought by such asset, and the ability of the Company to estimate payments for the relevant expenses; ⑥ the relevant legal provisions or similar restrictions for the control of such assets, such as franchised period and leasehold period; ⑦ the relevance to the useful life of other assets held by the Company, etc.

### C Judgment of intangible assets with indefinite useful lives

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for Guangdong Yaoda Financial Leasing Company Limited or it has no definite useful life.

The judgment basis of intangible assets with the indefinite useful life: ① derived from the contractual rights or other legal rights but the contract or the law does not specify certain useful life; and ② in light of the conditions of the competitors and the opinions of the relevant experts, the specific period when intangible assets can generate economic benefits to the Company cannot be still determined.

At the end of each year, the useful life shall be reviewed for those intangible assets with the indefinite useful life by mainly using the bottom-up method. The relevant department that uses intangible assets will perform the basic review and evaluate whether there are changes in the basis for judgments of the indefinite useful life, etc.

#### *(9) Long-term deferred expenses*

Long-term deferred expenses of Guangdong Yaoda Financial Leasing Company Limited are expenses which have been paid but whose benefit period is over one year (not including one year). These expenses mainly include parking fee, house decoration cost, etc. Long-term deferred expenses are amortized evenly over the estimated benefit period of the expense item. In the case that the long-term deferred expense cannot benefit the future accounting period, the residue value of such projects not amortized yet shall all be transferred to the profit or loss in the current period.

#### *(10) Employee payroll*

##### A Classification of employee payroll

Guangdong Yaoda Financial Leasing Company Limited identifies all forms of considerations given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship as employee payroll.

Guangdong Yaoda Financial Leasing Company Limited classifies the employee payroll into short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits based on the nature or payment period.

*(11) Deferred tax assets and deferred tax liabilities*

Deferred tax assets and liabilities of Guangdong Yaoda Financial Leasing Company Limited are recognized:

- A Based on the temporary difference between the book value and the tax base amount of an asset or liability (asset or liability not recognized in the balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference), and the expected applicable tax rate at the time of recovering the relevant asset or discharging the relevant liability is used to recognize the deferred income tax assets or deferred income tax liability.
- B Deferred tax asset is recognized to the extent that there is enough future profit for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the deferred asset not previously recognized is recognized in current period. If there is not sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the carrying value of the deferred asset reduced in current period.
- C Deferred tax liability is recognized for assessable temporary difference related to the investments of the subsidiaries and associated companies, unless Guangdong Yaoda Financial Leasing Company Limited could control the time for the reversal of the temporary differences and the temporary differences would not be reserved in the foreseeable future. Deferred tax asset is recognized for the deductible temporary difference related to the investments of subsidiaries and associated enterprises, if such temporary differences are much likely to be reversed in the foreseeable future and there will be enough future profit for the utilization of such deductible temporary difference.

*(12) Main types of taxes and tax rates*

Types of taxes	Basis for tax assessment	Tax rate
Value-added Tax	Output VAT is calculated on goods sold and taxable labor service income under tax laws. The remaining balance of output VAT, after deducting the deductible input VAT of the period, is VAT payable	16%, 13%, 6%
City maintenance and construction tax	Based on the value-added tax	7%
Education Surcharges	Based on the value-added tax	3%
Local education surcharge	Based on the value-added tax	2%
Corporate income tax	Based on taxable income	25%

**(II) Status of unrecorded type, quantity and legal titles of intangible assets declared by the entity**

As of the Valuation Date, no intangible assets have been recorded by the valuation target.

**(III) Status of guarantees, leases and their contingent liabilities (contingent assets)**

The valuation target had 7 short-term loans on the Valuation Date, totaling RMB80,548,280.03; as well as 34 long-term loans, totaling RMB449,648,793.06, which contains loan transactions entered into with various financial institutions. Pursuant to the National Enterprise Credit Information Publicity System, there are various property mortgage registrations of the valuation target. The valuation target does not declare any contingent liability or contingent asset. This valuation is on the premise that the valuation target has full rights to the valued assets without taking into account the impact on the appraised value caused by the other rights that may exist, including mortgages and guarantees.

**(IV) Types and quantities of off-balance-sheet assets declared by the entity**

As of the Valuation Date, there are no other off-balance-sheet assets and liabilities.

**(V) Types, quantities and book value of the assets involved in the conclusions of the reports issued by other institutions**

In this Valuation Report, the book value of each asset and liability on the Valuation Date is reported by the valuation target based on the amount of assets and liabilities adjusted and audited by Jonten Certified Public Accountants (LLP). This valuation is based on the Audition Report and utilised the related information and data set out in the above Audition Report.

Except for this, no reports from other agencies have been cited.

**IV. TYPE AND DEFINITION OF VALUE**

**(I) Type of selection of value**

The types of value under asset valuation include both the market value and the value other than the market value (investment value, utility, liquidation value, residual value and others). After the valuer and the Client fully communicate and, according to the purpose of the valuation of the valuation items, assess the specific situation of the appraised subject and the collection of valuation data for the collection situation and other related conditions, they will select the appropriate type of value, and agree with the Client on the type of value of this Valuation, the final selection of the market value for the type of value used in the conclusion of this Valuation Report.

**(II) Definition of type of value**

The market value referred to in this valuation report refers to the estimated value of the normal fair trade of the appraised subject on the Valuation Date when the voluntary buyer and the voluntary seller act independently and without any coercion.

**(III) Reasons for type of value chosen**

As regard the purpose of the valuation: the purpose of this valuation is to provide a reference opinion on the total shareholders' equity of the valuation target with respect to the proposed Equity Transfer for the Client. The market value type valuation should objectively and fairly reflect the total equity of the company's shareholders on the Valuation Date; from the correlation between the choice of the type of value and the valuation assumptions: the assumptions of the valuation are based on the simulation of an entirely open and sufficiently competitive market, that is, the purpose of setting the valuation assumptions is to exclude the impact of non-market factors and abnormal factors on the conclusion of the valuation; as for the practice of choosing types of value: when there is no particular restriction or requirement on the market conditions and the usage of the appraised subject, the market value should be chosen as the type of value of

the conclusion of the valuation. Compared with other types of value, the market value type can better reflect the fairness and rationality of both parties, so that the valuation results can meet the needs of this valuation.

## V. VALUATION DATE

(I) The Valuation Date of this project is 31 March 2020, and the Valuation Date is consistent with the Valuation Date specified in the “Assets Valuation Engagement Contract”.

### (II) Main factors considered in determining the Valuation Date

1. The Valuation Date should align as much as possible with the day on which the valuer actually performs the on-site review, so that the valuer can better understand the situation of the assets, liabilities and overall profitability of the appraised subject at the Valuation Date to facilitate the real reflection of the current value of the appraised subject at the Valuation Date.
2. The Valuation Date should be set as close as possible to the intended implementation date of the economic practices corresponding to the purpose of the valuation, so that the time value of the Valuation Date is more meaningful for the consideration of the intended economic behavior, and to facilitate the conclusion of the valuation to serve the valuation purpose effectively.
3. The Valuation Date should be set on the accounting report date close to the intended implementation date of the economic behavior corresponding to the valuation purpose, so that the valuer can have a comprehensive understanding of the overall situation of the assets, liabilities and overall profitability in the future of the appraised subject to facilitate the valuer to conduct a systematic on-site investigations, collect valuation data and perform other valuation work.

Sufficient communication with the Client led to client’s selection of the above date as the Valuation Date for the valuation.

**VI. BASIS OF VALUATION****(I) Basis of behavior**

Assets Valuation Engagement Contract signed with the Client.

**(II) Basis of laws and regulations**

1. “Asset valuation Law of the People’s Republic of China” (Order No. 46 of the Chairman of the People’s Republic of China adopted by the Standing Committee of the 12th National People’s Congress at its 21st session on 2 July 2016 and implemented on 1 December 2016);
2. “The Property Law of the People’s Republic of China” (Order No. 62 of the Chairman of the People’s Republic of China adopted at the 10th National People’s Congress at its 5th session on 16 March 2007 and implemented on 1 October 2007);
3. “Company Law of the People’s Republic of China” (Order No. 42 of the Chairman of the People’s Republic of China deliberated and adopted by the Standing Committee of the 12th National People’s Congress at its 6th session on 28 December 2013 and implemented on 1 March 2014);
4. “Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China” (adopted by the State Council at the 197th Executive Meeting on 28 November 2007 and implemented on 1 January 2008);
5. “Detailed Rules for the Implementation of the Interim Regulations of the People’s Republic of China on Value Added Tax” (Decree No. 50 of the Ministry of Finance and the State Administration of Taxation on 18 December 2008, as amended by the Decree No. 65 of the Ministry of Finance and the State Administration of Taxation on 28 October 2011);
6. “Law of the People’s Republic of China on the State-owned Assets of Enterprises” (Order No. 5 of the Chairman of the People’s Republic of China, adopted by the Standing Committee of the 11th National People’s Congress at its 5th session on 28 October 2008 and implemented on 1 May 2009);
7. “Administrative Measures for the Valuation of State-owned Assets” (Order No. 91 of the State Council and implemented on 16 November 1991);
8. “The Detailed Rules for the Implementation of the Administrative Measures for the Valuation of State-owned Assets” (Guo Zi Ban Fa [1992] No. 36 and implemented on 18 July 1992);

9. “Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Finance on Reforming State-owned Assets Appraisal Administration Method and Strengthening Asset valuation Administration Work” (Guo Ban Fa [2001] No. 102);
10. “Regulations on Certain Issues regarding the Administration of Appraisal of State-owned Asset” (Order No. 14 of the Ministry of Finance and implemented on 1 January 2002);
11. “Provisional Regulations for the Monitoring and Administration of State-owned Assets” (Order No. 378 of the State Council promulgated on 27 May 2003, and revised on 8 January 2011);
12. “Provisional Measures for Transfer of State-owned Assets in Enterprises” (Order No. 3 jointly issued by the State-owned Assets Supervision and Administration Commission and the Ministry of Finance and implemented on 1 February 2004);
13. “Provisional Measures for Administration of State-owned Assets Appraisal” (Order No. 12 of the State-owned Assets Supervision and Administration Commission and implemented on 1 September 2005);
14. “Notice on Certain Issues regarding Strengthening State-owned Enterprise Asset Appraisal Administration Work” (Guo Zi Wei Chan Quan [2006] No. 274 and released on 12 December 2006);
15. “Notice of the General Office of the Ministry of Commerce on Matters Concerning Adjustments to the Responsibility to Regulate Finance lease Companies, Commercial Factoring Companies and Pawn Shops” (Shang Ban Liu Tong Han [2018] No. 165);
16. “Notice of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Supervision and Administration of Commercial Factoring Enterprises” (Yin Bao Jian Ban Fa [2019] No.205 and promulgated on 18 October 2019);
17. Other legal documents, such as policies, regulations, measures and notices formulated by relevant authorities.

### **(III) Basis of Valuation Standards**

1. “Basic Standards of Assets Valuation” (Cai Zi [2017] No. 43);
2. “Code of Ethics for Assets Valuation” (Zhong Ping Xie [2017] No. 30);
3. “Practicing Standards on Assets Valuation — Assets Valuation Procedures” (Zhong Ping Xie [2018] No. 36);

4. “Practicing Standards on Assets Valuation — Assets Valuation Report” (Zhong Ping Xie [2018] No. 35);
5. “Practicing Standards on Assets Valuation — Assets Valuation Engagement Contract” (Zhong Ping Xie [2017] No. 33);
6. “Practicing Standards on Assets Valuation — Assets Valuation Records” (Zhong Ping Xie [2018] No. 37);
7. “Practicing Standards on Assets Valuation -Assets Valuation Methods” (Zhong Ping Xie [2019] No. 35);
8. “Practicing Standards on Assets Valuation — Intangible Assets” (Zhong Ping Xie [2017] No. 37);
9. “Practicing Standards on Assets Valuation — Enterprise Value” (Zhong Ping Xie [2018] No. 38);
10. “Practicing Standards on Assets Valuation — Machinery and Equipment” (Zhong Ping Xie [2017] No. 39);
11. “Guidelines to Valuation Reports of Stated-Owned Assets of Enterprises” (Zhong Ping Xie [2017] No. 42);
12. “Guidelines to Service Quality Control in Asset Valuation Institutions” (Zhong Ping Xie [2017] No. 46);
13. “Guiding Opinions on Types of Value under Asset Valuation” (Zhong Ping Xie [2017] No. 47);
14. “Guiding Opinions on Legal Titles of the Valuation Target of the Asset” (Zhong Ping Xie [2017] No. 48);
15. “Guidelines to Valuation Reports of State-Owned Assets of Financial Enterprises” (Zhong Ping Xie [2017] No. 43).

#### **(IV) Basis of Titles**

1. Business license of the valuation target;
2. Invoices for purchase, vehicle driving licenses and other title information;
3. Other information on property rights.

**(V) Basis for pricing**

1. “Special Auditing Report on Asset and Capital Verification of Guangdong Yaoda Financial Lease Company Limited” issued by Jonten Certified Public Accountants (LLP) (No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087);
2. Original accounting documents, original accounting evidences, information on financial and accounting management, as well as relevant agreements, contracts, invoices and other financial information provided by the valuation target;
3. “Common Data and Parameter Manual for Assets Valuation” published by Beijing Science and Technology Press and related risk factors information;
4. “2019 Mechanical & Electrical Product Price Handbook” published by China Machine Press;
5. History information of the stock market;
6. Valuers’ on-site check and verification records, data collected from on-site investigation, and relevant data collected from parameter data selection in the evaluation process;
7. Other relevant information provided by the valuation target.

**VII. VALUATION METHOD****(I) Basic methods of asset valuation**

As required by the “Practicing Standards on Assets Valuation — Enterprise Value”: when performing the valuation of enterprise value, the valuers shall analyze the applicability of the three basic approaches, namely the income approach, market approach and cost approach (asset-based approach), and select the valuation method based on valuation purposes, appraised subjects, value types, condition of data collection and so on.

The market approach refers to the method of assessing the value of the appraised subject by comparing the valuation target with comparable listed companies or comparable transaction cases. The application of the market approach are based on the premise that (1) a well-developed and active assets market is available; (2) indicators and technical parameters of the reference company or case to be compared with the valuation target are collectable.

The income approach refers to the method of assessing the value of the appraised subject by capitalizing or discounting the anticipated income. The application of income approach are based on the premise that (1) the valued assets must be individual or overall assets with an expected future income that can be measured in monetary terms; (2) the risks borne by the assets owners shall also be measurable in monetary terms; and (3) the number of years of which appraised assets will return a profit can be predicted.

The asset-based approach refers to the valuation method to determine the value of the valuation target by reasonably assessing the value of the on-balance sheet and off-balance sheet assets and liabilities of an enterprise based on the balance sheet of the appraised subject as at the valuation date. The application of the cost approach are based on the premise that: (1) the enterprise should have available historical information; (2) all costs incurred for forming asset value are necessary.

## **(II) Selection and reasons for valuation methods**

1. The two commonly used methods for the market approach are listed company comparison method and transaction case comparison method. As the business structure, business model, enterprise scale, asset allocation and use of listed companies in the same industry of the valuation target, business stage, growth, business risk, financial risk and other factors are significantly different from those of the valuation target, and there are few cases of trading, acquisition and merger of comparable enterprises in the same industry in China near the Valuation Date, so the business and financial data of the relevant reliable comparable transaction cases are difficult to obtain and the value ratio cannot be calculated. Therefore, the market approach is not applicable to this evaluation;
2. The valuation target has been established for five years, and has now entered into the normal course of development. The operating conditions are fully prepared and its prospect is promising. Having considered the industry characteristics and operating environment of the valuation target, the enterprise's ability to operate as a going concern, its profitability and asset quality, the future earnings of the valuation target and the rate of return corresponding to the risks of future earnings can be reasonably estimated. Therefore, the conditions for valuation by the income capitalisation method are fulfilled.

3. As the assets and liabilities of the valuation target could be reasonably identified according to accounting policies, enterprise's operations, etc., the valuation has the conditionally selected appropriate and specific valuation methods targeting the characteristics of assets and liabilities, with the operational conditions for implementation of these valuation methods satisfied, hence the asset-based approach is appropriate for such valuation.

Based on the above analysis, the valuer concluded that the asset-based approach (cost approach) and the income approach are theoretically and practically applicable to the valuation, and the valuation value is finally recognized on the basis of the comparison of the valuation conclusions from the two valuation methods and analysis of the reasons of difference occurred.

### **(III) Rationale and methods of valuation with asset-based approach**

#### ***A. Asset-based approach (cost approach)***

##### *1. Rationale of valuation with the asset-based approach (cost approach)*

The asset-based approach refers to a valuation method based on the balance sheet on the Valuation Date of the valuation target, valuating the value of the on-balance sheet and identifiable off-balance sheet assets and liabilities, and determines the value of the appraised subject by the net assets amount deducted the liabilities. In particular, it is based on the assumption of replacement of all productive elements under the market conditions as at Valuation Date and determines the appraised value of all equity interest by selecting appropriate methods to determine and sum up the values of each asset after deducting the appraised values of the relevant liabilities in view of the conditions of assets to be valued. Its calculation formula is as follows:

Appraised value of all shareholders' equity = sum of appraised values of various assets — sum of appraised values of various liabilities

2. *Valuation methods for different types of major assets and liabilities*

(1) Specific valuation methods for monetary fund (cash and bank deposit)

- ① Cash is first check against the cash journal by currency before being reconciled with the balances of the general ledger, the statements, and the valuation breakdown statements. Secondly, cash count shall be audited, in which case, the duly prepared “cash count statement” shall be reviewed. The amount as at the Valuation Date is extrapolated based on the counted amount and the accounting record from the reference date to the counting date. Upon verification, where the amounts of audited accounts are consistent with the actual amounts, the verified book values shall be the appraised value.
- ② As for bank deposits, besides verifying the book accounts, account statements, and bank statements, trial balance shall, subject to the bank confirmation letter, be conducted for the bank reconciliation statement. Upon verification, the verified book value, if free from error, shall be the appraised value.

(2) Receivables

The asset valuers, by accessing the book accounts and statements, analyze the economic contents and aging profile, obtain the confirmation letter in respect to significant amounts of receivables, and develop an understanding of occurrence time, reasons of outstanding amounts, settlement of such outstanding amounts by the debtor, and the capital, credit, and operation and management conditions of such debtor. A judgement as to recoverability of various receivables will be made following specific analysis. In combination with the individual identification and aging analysis approaches, the comprehensive analysis over the recoverable amounts of receivables will determine the appraised value of such receivables. The appraised value of provision for bad receivables is stated at nil.

(3) Prepayments

In verifying the prepayments, the asset valuers access the relevant book records, certificates, business contracts, and other related information, and obtain confirmation letters in respect to such prepayments in significant amounts. With the historical information and on-site investigation and corroboration taken into consideration, a specific analysis is carried out over the occurrence time of prepayments and their corresponding business, collection of goods, and subsequent delivery. Based on these, the appraised value is determined by calculating the corresponding recoverable assets or the corresponding contingent rights. As for prepayments that contain a shorter aging profile and involve the transactions taking place or being realized within a short period of time, its book value will be the appraised value upon verification.

(4) Other receivables

The asset valuers first verify the balance of the asset valuation breakdown statements, detail accounts, general ledger, and financial statements, and then the aging analysis is carried out based on the account records, including the amounts in the valuation breakdown statements, occurrence time, and business contents. As for other receivables that are stated at a significant amount or unusual amount, a confirmation letter shall be obtained and original evidences shall be collected. In absence of a confirmation letter, the reasons behind it shall be identified. Alternative procedures, including collection of account evidences, business contracts, receipts, and evidences for recovered amounts subsequent to collection, may be adopted to verify the authenticity. Amounts due from associates shall be checked to verify the authenticity and completeness of receivables. Upon verification, such other receivables are consistent with the amounts shown in the account statements.

(5) Non-current assets due within one year

The lease payments due within one year are the lease rentals receivable for the finance lease items currently being performed by the valuation target. The valuers have checked the relevant finance lease contracts and the original accounting vouchers, and verified the authenticity and accuracy of the long-term accounts receivable. The individual identification method is used for assessing the risk losses of the non-current assets within one year. The risk losses were determined in accordance with the aforesaid standards, and the amount of the non-current assets within one year after deduction of the assessed risk losses is taken as the appraised value.

(6) Other current assets

Other current assets mainly represent the structured deposits of Guangdong Yaoda Financial Leasing Company Limited. According to the relevant contracts, of which the legality, rationality, authenticity and accuracy have been verified, the valuer determined the appraised value based on the verified book value.

(7) Investments held at maturity

Investments held at maturity mainly refer to debentures held by Guangdong Yaoda Financial Leasing Company Limited at maturity. According to the relevant contracts, of which the legality, rationality, authenticity, and accuracy have been verified, the valuer determined the appraised values based on the verified book value.

(8) Long-term receivables

The long-term receivables incorporated into the valuation scope refer to lease receivables under finance lease that is performed by the valuation target. The valuer inspects the relevant finance lease contracts and original accounting evidences, and verifies the authenticity and accuracy of such long-term receivables. The assessment risk losses of long-term receivables are estimated using the individual identification approach. Based on the abovementioned standard, the appraised value of the assessment risk losses are determined by the amount of long-term receivables less the assessment risk losses.

(9) Long-term equity investments

The assessment over long-term equity investments mainly refers to the assessment over the interests represented by long-term equity investments, which is based on long-term equity investment breakdown accounts, and collects information in respect to investment agreements, and the business licenses, capital verification report, articles of association of the investment targets, which is reconciled with the contents contained in the asset valuation statement. The valuers make inquiries with the enterprises into the accounting methods for long-term equity investments and the operations of the investment targets, in

particular the actual control of investment targets. By reference to the actual control of the investment targets, the following valuation methods will be adopted:

As regards controlled subsidiaries, the appraised value of the long-term equity investment is determined by the Total Shareholders' Equity attributable to the investment targets as at the Valuation Date multiplied by the shareholding percentage of such investment targets. The Total Shareholders' Equity attributable to the investment targets as at the Valuation Date is recognized and assessed in the "Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited" (No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087) by Jonten Certified Public Accountants (LLP). Set forth below is the formula for calculation:

Assessment over long-term equity investments = the value of the Total Shareholders' Equity attributable to the investment targets as at the Valuation Date × the shareholding percentage

(10) Fixed assets

(A) Vehicles

In accordance with the equipment breakdown list provided by an enterprise, verification can be carried out on an item-by-item basis to ensure that the amounts in the ledgers and statements are consistent. In the meantime, audit and verification are performed over the relevant contracts, legal ownership certificates, and accounting vouchers to determine the ownership. On top of that, engineering technicians will perform necessary on-site inspection and verification procedures for equipment.

As the Client fails to provide details regarding actual revenue of the vehicle, and the valuers fail to obtain reasonable revenue objectively, coupled with the fast vehicle upgrade and replacement, the replacement cost of the appraised subject is difficult to be determined. Furthermore, it is difficult to accurately calculate the functional and economic depreciations of a vehicle. As a result, the market approach is adopted.

The market approach refers to the valuation method that takes advantage of the recent transaction prices of assets or the like in the market to evaluate the asset value through direct comparison or analogy analysis. To be specific, one or several second-hand vehicles that are comparable or analogous to the

appraised subject shall be selected by market investigation as the reference, the factors of which, including the model, structure, function, performance, configuration, newness, use, geographic differences, transaction conditions, timing, and transaction prices, will be compared to those of the appraised vehicle to identify the difference between them and the pricing difference. Being quantified, the price of the second-hand vehicle is arrived at by valuation, the formula of which is set forth as follows:

Price of the appraised subject = comparable transaction price × correction factor of transaction modification × correction factor of transaction date × correction factor of vehicle conditions × correction factor of other factors

(B) Equipment

We have verified the equipment on an item-by-item basis to ensure the consistency of the statements with the list of equipment provided by the enterprise and confirmed their titles after examining and verifying the relevant contracts, legal title certificates and accounting vouchers. On such basis, engineering staff carried out necessary on-site investigation and verification of the equipment.

The replacement cost method is used for valuation this time since there is difficulty in predicting the earnings of the equipment separately, and collecting market transaction cases. Its calculation formula is:

$$\text{Net appraised value} = \frac{\text{full replacement cost} \times \text{newness rate}}{\text{newness rate}}$$

Estimation of full replacement cost:

- ① The determination of original appraised value
  - a) For equipment with comparable price, the original appraised value is determined by mainly referring to the prevailing market price of the similar type of equipment in the domestic and foreign markets at the Valuation Date, and taking into account the transportation and miscellaneous charges, installation and commissioning charges, other expenses, capital costs.

- b) For some equipment without any comparable price, the historical cost is verified according to the relevant accounting vouchers, and the original appraised value is determined by the price index method based on the change in the price of the similar equipment in the PRC market of electromechanical products, which is the basis for the adjustment of price index.
- c) For a small number of customized equipment, after verifying the original purchase price according to the relevant accounting vouchers, the verified original book value is used as the original appraised value.
- d) For electronic equipment, due to the lower value, no installation process (or the seller may be in charge of installation) and low transportation charges, the replacement cost is determined with reference to the prevailing purchase price in the market.

② Estimation of newness rate:

In estimating the newness rate of the equipment, the remaining useful life is estimated after the economic useful life and technical life of the equipment is taken into account according to the characteristics and usage of various equipment.

- a) For the equipment, an approximate judgment on the physical loss is made by comparing the technical parameters of the equipment nameplate, based on the used life and the designed life. According to the used life, the working environment, maintenance status and current conditions of the equipment, the physical loss is revised through the inspection of operational records and overhaul records, on-the-spot inspection, and discussions with actual users and maintenance personnel. Based on the current state of the equipment technology, a comprehensive judgment has been made on the remaining useful life to determine a reasonable newness rate of the equipment.

- b) For the office equipment such as computers and mobile phones with small values, the useful life method is mainly used to estimate the newness rate by combining with the maintenance and appearance status of the equipment. The calculation formula is as follows:

$$\text{Newness rate} = \frac{(\text{Economic useful life} - \text{Years used}) \div \text{Economic useful life}}{\times 100\%}$$

- c) For the office electronics that have been purchased for a long time and have been discontinued, the appraised value is determined directly by the net realizable value.

#### (11) Intangible assets

The intangible assets on the book accounts are other intangible assets, which are business software purchased by the company. After verification, the appraised software can work normally to meet the current business needs. The result after the price inquiry is used as the appraised value since the appraised software is well-developed software.

#### (12) Long-term deferred expenses

The accounting content of the long-term deferred charges refer to the decoration payment of the company. The valuers collect and verifies relevant information related to the long-term deferred charges, such as contents, contracts, invoices, date of formation, period of amortization, usage, accounting treatment and the like. Meanwhile, according to the price inquiry, the book value basically reflects the current value of the long-term deferred charges as the decoration time is not long, the price changes are little and the amortization of each period of the company is reasonable, and the qualified book value is recognized as the appraised value.

#### (13) Deferred income tax assets

Deferred income tax assets are recognized for deductible temporary differences, deductible losses and tax credits, to the extent that it is probable that taxable profits are made by the Company available against which such deductible temporary differences, deductible losses and tax credits can be utilized. As at the balance sheet date, the book value of the deferred income tax assets is reviewed. In addition to income taxes incurred from the

transactions or matters recognized from business combination and interests attributable to direct owners, the Company accounts income taxes and deferred income taxes for the period as income tax expenses or income for gains or losses for the period. The authenticity and completeness of the contents will be verified. Upon verification, the verified book value will be recognized as the appraised value in the valuation.

(14) Specific valuation method for current liabilities

For the current liabilities within the scope of valuation, based on the amount declared by the enterprise, various liabilities are verified to determine whether each debt is actually assumed by the valuation target on the Valuation Date, and whether the creditors exist. The valuation of enterprise's liabilities mainly comprises reviewing and verifying of books and records, consulting of the procurement contracts, tax returns and other information, verifying of the large amount of payables by external confirmation, and taking the liabilities actually paid by the valuation target as the appraised value of the liabilities after the Valuation Date.

(15) Specific valuation method for non-current liabilities

For the non-current liabilities within the scope of valuation, based on the amount declared by the enterprise, various liabilities are verified to determine whether each debt is actually assumed by the valuation target on the valuation date and whether the creditors exist. The valuation of enterprise's liabilities mainly comprises reviewing and verifying of books and records, consulting of the procurement contracts, tax returns and other information, verifying of the large amount of payables by external confirmation, and taking the liabilities actually paid by the valuation target as the appraised value of the liabilities after the valuation date.

***B. Income approach***

The discount cash flow method used in this project refers to a valuation technical idea which evaluates the appraised value by estimating the net cash flow expected by the valuation target in the future and converts it into the present value using the appropriate discount rate. Prerequisites for discount cash flow method are that: (1) the total assets of the enterprise have the basis and conditions for continuous operation, and there is a relatively stable correspondence between operation and income; (2) it must be able to measure expected future earnings in currency; (3) the risk taken by the valuation target also must be able to be measured in currency.

The adoption of the discount cash flow method to forecast future expected cash flow requires objectivity and reliability in the data collection and processing, and the selection of discount rate is more reasonable.

The discounted free net cash flow model of equity in the discount cash flow method is used in this valuation.

The discount cash flow method is described as follows:

(1) *Basic calculation model*

$$\text{Value of Total Shareholders' Equity} = \begin{array}{l} \text{value of operating assets +} \\ \text{value of excess assets (including} \\ \text{long-term investment value) -} \\ \text{value of excess liabilities + net} \\ \text{value of non-operating assets} \\ \text{and liabilities} \end{array}$$

① Operating assets value

Operating assets refer to the assets and liabilities that are related to the production and operation of the valuation target and involved in the forecast of the free cash flow of equity of the enterprise after the valuation date.

The calculating formula for the value of operating assets is that:

$$P = \left[ \sum_{i=1}^n Ri(1+r)^{-i} + R_n / r(1+r)^{-n} \right]$$

- Wherein: P is the value of Total Shareholders' Equity
- Ri is the free net cash flow to equity in the t-term of the clear forecast period
- r is the discount rate (capitalization rate)
- t is the forecast period
- Rn is the annual free net cash flow to equity after the clear forecast period

② Value of non-operating assets and liabilities

Non-operating assets and liabilities refer to assets and liabilities that are not directly related to the production and operation of the enterprise, and are not involved in the forecast of the free cash flow of the valuation target after the valuation date. This time, the non-operating assets and liabilities are mainly and separately analyzed and appraised by the cost method.

③ Value of excess assets

The excess assets refer to assets that exceed the needs of the production and operation of the enterprise, and not covered by the forecast of the enterprise's free cash flow after the valuation date. The excess assets are mainly analyzed and appraised by using the cost method (or on a case-by-case basis).

④ Determination of the discount rate

The appraised amount of income is the free cash flow to equity; according to the principle that the income is consistent with the discount rate; the discount rate is determined by the Capital Asset Pricing Model (CAPM). The calculation formula is as follows:

This valuation uses the cost of equity capital to confirm the discount rate and determines the cost of equity capital based on the Capital Asset Pricing Model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$$

In the formula:

$r_f$ : is Risk-free rate of return;

$r_m$ : is Market expected rate of return;

$\varepsilon$ : is Risks specific to the valuation target;

$\beta_e$ : is Equity market risk factor.

**VIII. ESTIMATION PROCESS OF INCOME APPROACH****(I) Forecast of the free cash flow to equity of the valuation target**

The forecast of future financial data of the valuation target is based on the business performance of the valuation target between 2017 and March 2020, which has been compiled with comprehensive analysis following the prevailing laws and regulations of the PRC, in line with national macroeconomic policies, state and regional macroeconomic conditions, landscape of the finance lease industry, as well as on the basis of development planning and business plans, advantages, disadvantages, opportunities, risks and etc. of the valuation target, especially the market environment and future prospects and potentials faced by the valuation target. The major data forecast is explained as below:

**1. Forecast of operating revenue of the valuation target**

According to information publicly available:

**(1) Number of enterprises**

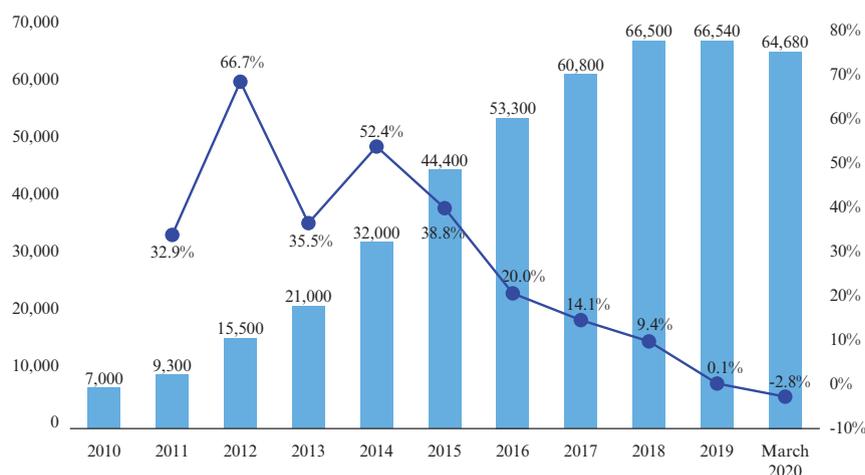
In line with the increasingly lax regulatory policies, the total number of domestic finance lease companies increased from 109 for 2007 to 11,777 for 2018. For the first quarter 2020, there were 70 finance lease companies, 406 domestic leasing companies, and 11,669 foreign leasing companies.

**(2) Total business volumes**

At the end of March 2020, the remaining balance of finance lease contracts across the PRC was approximately RMB6,468 billion and decreased by approximately RMB184 billion, representing a decrease of 2.8 percentage points as compared to RMB6,654 billion at the end of 2019. This represented the first negative growth since the finance lease recovered in the PRC in 2006.

At the end of 2019, domestic finance lease of approximately RMB2,081 billion increased by RMB1 billion in 2018. Due to the pandemic effects, it is expected that the total business volume is on the decline.

Figure 1: Statistics and Growth of the Remaining Balance of Finance Lease Contracts in the PRC in 2012 to March 2020 (Unit: RMB100 million/%)



According to the information shown above, the average weighted growth rate of the remaining balance of contracts in the finance lease industry in China for the last three years and in March 2020, which is based on 0.1, 0.3, 0.5, and 0.1, will be  $14.1\% \times 0.1 + 9.4\% \times 0.3 + 0.1\% \times 0.5 - 2.84\% \times 0.1 = 4\%$ .

Sources of information is extracted from the “Finance Lease Industry Development Report for First Quarter 2020”, which is prepared by China Leasing Alliance (中國租賃聯盟), Joint Leasing Research and Development Center (聯合租賃研發中心), and Tianjin Binhai Finance Lease Research Institute (天津濱海融資租賃研究院).

Data as contained in the “China Finance Lease Industry Development Report” is derived from the statistics of the Ministry of Commerce of the PRC. This type of report, as the blue paper for the relevant industry, has been published for many years, establishing a high level of credibility among the relevant industry. China Rental Union (中國租賃聯盟) was established by a group of 42 leasing organizations and enterprises throughout the PRC. China Rental Union has prepared the “Leasing Blue Paper: China Financial Leasing Industry Development Report” (《租賃藍皮書-融資租賃業發展報告》) and the “Yearbook of China’s Financial Leasing” (《融資租賃業年鑒》). The Joint Leasing Research and Development Center (聯合租賃研發中心), which represents an industry research division of Guangdong Union Leasing

Company Limited (廣東聯合租賃有限公司), is also one of the founders for China Rental Union. Tianjin Binhai Finance Lease Research Institute (天津濱海融資租賃研究院) is mainly responsible for researching on financial leasing; undertaking research projects entrusted by government and related departments; providing education exchanges, consultation, in-house training and expo organization services with respect to financial leasing; and editing and publishing internal documents and publications related to financial leasing.

The weighted number in the weighted average method can represent the proportion of various components in the statistical population. The larger the proportion of the weighted data in the statistical population, the greater its impact on the weighted average number.

The closer the time of the data is to the Valuation Date, the greater the reliability and correlation of the data. According to the project experience and professional judgment of the valuers, the weighted number for 2017, 2018 and 2019 was 0.1, 0.3 and 0.5, respectively. The calculation of the weighted number in the first quarter of 2020 was based on the data available for the three months ended 31 March 2020, which was affected by the Chinese New Year and the outbreak of novel coronavirus. As such, the reliability and correlation of data in the first quarter of 2020 is not meaningful due to the impact of the abovementioned factors, and therefore the weighted number was determined to be 0.1.

(3) *Operating Revenue of the Valuation Target*

**Operating Revenue of the Valuation Target between  
2017 and March 2020**

*Unit: RMB ten thousand*

Project/Year	Growth		Growth		Growth		Growth	
	2017	rate (%)	2018	rate (%)	2019	rate (%)	March 2020	rate (%)
Major operating revenue	7,032.34	124.13%	9,255.95	31.62%	13,053.51	41.03%	2,743.43	-15.93%
Other operating profit	2,055.82	/	2,732.68	32.92%	4,373.27	60.04%	1,573.01	43.88%
Total operating revenue	9,088.16	189.65%	11,988.63	31.91%	17,426.78	45.36%	4,316.44	-0.92%

As shown in the table above, the valuation target witnesses some growth in its operating revenue in recent years, while the growth rate is higher than the average industry level. The average weighted growth rate

of the operating revenue of the valuation target for the last three years and in March 2020 (being 0.1, 0.3, 0.5 and 0.1) is 51.13%. This mainly benefits from the initial period of the valuation target, as well as the industry position, development strategy and business resources in the local area. In line with the stable development of the valuation target, the business growth level becomes increasingly in parallel with the industry level.

It is the largest is the finance lease company in Foshan in terms of capital and the first Sino-foreign joint venture of mixed-ownership controlled by a state-owned company located in Foshan. Guided by the national industrial policy and Foshan industrial plan and riding on the development opportunity of building Guangdong into the best manufacturing base for advanced equipment along the west bank of the Pearl River in the PRC with international competitiveness, the development strategy focuses on urban infrastructure construction projects in Foshan and strive to become a professional finance lease company in the next five years, targeting customers from the Pearl River Delta region and covering Southern China and Southern China, which is featured by comprehensive strength, outstanding expertise, leading profitability, excellent asset quality and good brand image.

*(4) Forecast of operating revenue of the valuation target*

This valuation was based on the changes in the market size of finance lease business in the PRC between 2017 and March 2020, with the history and development strategy of the valuation target taken into account. In 2020, being affected by the COVID-19 pandemic and the international environment, it is expected that the general annual growth rate for 2020 is predicted to be 2.5%, and that the growth rate of operating revenue in 2021 to 2025 is predicted on the basis of the abovementioned weighted average of the contract balance growth rate of 4% of the finance lease business in the PRC in the latest three years and March 2020.

**Forecast table of operating revenue of the valuation target from April to December 2020 and up to 2025**

*Unit: RMB ten thousand*

Project/year	April to December 2020	Growth rate (%)	2021	Growth rate (%)	2022	Growth rate (%)	2023	Growth rate (%)	2024	Growth rate (%)	2025	Growth rate (%)
Major operating revenue	106,36.43	2.50%	13,915.04	4.00%	14,471.65	4.00%	15,050.51	4.00%	15,652.53	4.00%	16,278.63	4.00%
Other operating revenue	2,909.58	2.50%	3,025.97	4.00%	3,147.01	4.00%	3,272.89	4.00%	3,403.80	4.00%	3,539.95	4.00%
Total sales revenue	13,546.01	2.50%	16,941.01	4.00%	17,618.65	4.00%	18,323.40	4.00%	19,056.33	4.00%	19,818.59	4.00%

## 2. Forecast of operating cost of the valuation target

### (1) Operating cost of the valuation target

#### Operating cost and its percentage of the valuation target between 2017 and March 2020

Unit: RMB ten thousand

Project/year	Percentage of Corresponding Revenue (%)		Percentage of Corresponding Revenue (%)		Percentage of Corresponding Revenue (%)		Percentage of Corresponding Revenue (%)	
	2017	2018	2019	March 2020	2017	2018	2019	March 2020
Major operating cost	3,021.63	4,969.82	8,410.92	2,017.71	42.97%	53.69%	64.43%	73.55%
Other operating cost	0.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%
Total cost	3,021.63	4,969.82	8,410.92	2,017.71	33.25%	41.45%	48.26%	46.74%

The operating cost of the valuation target has increased in recent years, mainly due to the impact of monetary policy and lending channels which led to an increase in finance costs.

### (2) Forecast of operating cost of the valuation target

The operating cost of the valuation target for previous years has been fully accounted. The operating cost in the coming years for this valuation is determined on the basis of the operating cost as a percentage of the operating revenue in previous years, in which case, the weighted factors for each year is 0.1, 0.3, 0.5 and 0.1, respectively, in reference to the weighted average between 2017 and March 2020. For the details of the forecast of operating cost, see the forecast table of operating cost:

#### Forecast table of operating cost of the valuation target from April to December 2020 and up to 2025

Unit: RMB ten thousand

Project/year	April to December 2020		Percentage of Corresponding Revenue (%)		Percentage of Corresponding Revenue (%)		Percentage of Corresponding Revenue (%)		Percentage of Corresponding Revenue (%)		Percentage of Corresponding Revenue (%)	
	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025
Major operating cost	6,379.36	8,345.76	8,679.59	9,026.78	9,387.85	9,763.36	59.98%	59.98%	59.98%	59.98%	59.98%	59.98%
Other operating cost	/	/	/	/	/	/	/	/	/	/	/	/
Total cost	6,379.36	8,345.76	8,679.59	9,026.78	9,387.85	9,763.36	47.09%	49.26%	49.26%	49.26%	49.26%	49.26%

### 3. Forecast of tax and surcharge

#### (1) Tax and surcharge of valuation target

The taxation and surcharges arising from the principal business operations of the valuation target included city maintenance and construction taxes, education surcharges, local education surcharges, details of which are set forth in the following table alongside the percentage over revenue of the principal business operations:

#### Tax and surcharge and their percentage of the valuation target between 2017 and March 2020

*Unit: RMB ten thousand*

No.	Item	2017		2018		2019		March 2020	
		Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
1	(Value-added tax) business tax	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
2	City maintenance and construction taxes	0.00	0.00%	2.82	0.02%	0.00	0.00%	0.81	0.00%
3	Education surcharges	0.00	0.00%	2.02	0.02%	0.00	0.00%	0.58	0.00%
4	Stamp duty	19.60	0.22%	11.28	0.09%	18.95	0.11%	5.41	0.03%
	Total	19.60	0.22%	16.12	0.13%	18.95	0.11%	6.80	0.04%

The valuation target has less tax and surcharge, with the amount and proportion remaining stable in recent years.

*(2) Forecast of tax and surcharge of the valuation target*

The tax and surcharge of the valuation target for previous years have been fully accounted. The tax and surcharge in the coming years for this valuation is determined on the basis of the tax and surcharge as a percentage of the operating revenue in previous years, in which case, the weighted factors for each year is 0.1, 0.3, 0.5 and 0.1, respectively, in reference to the weighted average between 2017 and March 2020. For the details of the forecast of tax and surcharge, see the forecast table of tax and surcharge:

**Forecast table of tax and surcharge of the valuation target from  
April to December 2020 and up to 2025**

*Unit: RMB ten thousand*

No.	Item	April to December 2020		2021		2022		2023		2024		2025	
		Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
1	Tax and surcharge	16.28	0.12%	20.36	0.12%	21.17	0.12%	22.02	0.12%	22.90	0.12%	23.82	0.12%

**4. Forecast of sales expense of the valuation target***(1) Sales expense of the valuation target*

**Sales expense and its percentage of the valuation target between 2017 and March 2020**

*Unit: RMB ten thousand*

No.	Item	2017		2018		2019		March 2020	
		Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
1	Advertising fees	144.10	1.59%	148.32	1.24%	86.72	0.50%	3.00	0.07%
2	Business entertainment fees	18.95	0.21%	18.51	0.15%	24.64	0.14%	1.17	0.03%
3	Travel expenses	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
4	Business promotion fees	4.23	0.05%	0.00	0.00%	0.00	0.00%	0.00	0.00%
	Total	167.27	1.84%	166.83	1.39%	111.37	0.64%	4.17	0.10%

The sales expenses are mainly comprised of advertising fees, entertainment fees, travel expenses, and business promotion fees, and the sales expense decreased year by year.

*(2) Forecast of sales expenses of the valuation target*

The sales expenses of the valuation target for previous years have been fully accounted. The sales expenses in the coming years for this valuation are determined on the basis of the sales expenses as a percentage of the operating revenue in previous years, in which case, the weighted factors for each year is 0.1, 0.3, 0.5 and 0.1, respectively, in reference to the weighted average between 2017 and March 2020. Among them, advertising expenses, which accounted for the largest proportion of the selling expenses, are expected to decrease by 20% as a percentage of the operating revenue with the awareness improvement of the enterprise. For the details of the forecast of sales expenses, see the forecast table of sales expenses:

**Forecast table of sales expenses of the valuation target from  
April to December 2020 and up to 2025**

*Unit: RMB ten thousand*

No.	Item	April to December 2020		2021		2022		2023		2024		2025	
		Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
1	Advertising fees	85.12	0.63%	106.45	0.63%	110.71	0.63%	115.14	0.63%	119.75	0.63%	124.54	0.63%
2	Business Entertainment fees	19.04	0.14%	23.82	0.14%	24.77	0.14%	25.76	0.14%	26.79	0.14%	27.86	0.14%
3	Travel expenses	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
4	Business promotion fees	0.63	0.00%	0.79	0.00%	0.82	0.00%	0.85	0.00%	0.89	0.00%	0.92	0.00%
	<b>Total</b>	<b>104.79</b>	<b>0.77%</b>	<b>131.06</b>	<b>0.77%</b>	<b>136.30</b>	<b>0.77%</b>	<b>141.75</b>	<b>0.77%</b>	<b>147.43</b>	<b>0.77%</b>	<b>153.32</b>	<b>0.77%</b>

## 5. Forecast of administrative expenses of the valuation target

## (1) Administrative expenses of the valuation target

Administrative expenses and its percentage of the valuation target between  
2017 and March 2020

Unit: RMB ten thousand

No.	Item	2017		2018		2019		March 2020	
		Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
1	Employee payroll	806.08	8.87%	791.34	6.60%	1,086.37	6.23%	503.27	11.66%
2	Pre-operation expenses	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
3	Lease expenses	65.10	0.72%	65.32	0.54%	82.38	0.47%	22.25	0.52%
4	Employee benefits costs	77.46	0.85%	73.56	0.61%	80.25	0.46%	12.11	0.28%
5	Housing fund	53.04	0.58%	52.36	0.44%	54.82	0.31%	14.07	0.33%
6	Others	0.00	0.00%	43.19	0.36%	273.64	1.57%	6.41	0.15%
7	Social security contributions	35.26	0.39%	41.89	0.35%	50.81	0.29%	5.98	0.14%
8	Business entertainment fees	30.72	0.34%	37.01	0.31%	33.41	0.19%	3.38	0.08%
9	Office expenses	28.04	0.31%	39.51	0.33%	16.21	0.09%	3.52	0.08%
10	Depreciation and amortization expenses	21.74	0.24%	22.95	0.19%	25.25	0.14%	9.60	0.22%
11	vehicle use costs	24.30	0.27%	6.14	0.05%	5.48	0.03%	2.76	0.06%
12	Intermediary fees	15.70	0.17%	21.00	0.18%	237.67	1.36%	0.07	0.00%
13	Travel expenses	13.82	0.15%	54.72	0.46%	27.29	0.16%	2.63	0.06%
	Total	<u>1,171.24</u>	<u>12.89%</u>	<u>1,249.01</u>	<u>10.42%</u>	<u>1,973.59</u>	<u>11.33%</u>	<u>586.05</u>	<u>13.58%</u>

Administrative expenses mainly include employee payroll, lease expenses, employee benefits costs, housing fund, social security contributions, etc., with the percentage remains stable each year.

*(2) Forecast of administrative expenses of the valuation target*

The administrative expenses of the valuation target in previous years have been fully accounted. The administrative expenses in the coming years for this valuation are determined on the basis of the administrative expenses as a percentage of the operating revenue in previous years, in which case, the weighted factors for each year is 0.1, 0.3, 0.5 and 0.1, respectively, in reference to the weighted average between 2017 and March 2020. For the details of the forecast of administrative expenses, see the forecast table of administrative expenses:

**Forecast table of administrative expenses of the valuation target from  
April to December 2020 and up to 2025**

*Unit: RMB ten thousand*

No.	Item	April to December 2020		2021		2022		2023		2024		2025	
		Amount	Percentage of operating revenue (%)	Amount	Percentage of operating revenue (%)	Amount	Percentage of operating revenue (%)	Amount	Percentage of operating revenue (%)	Amount	Percentage of operating revenue (%)	Amount	Percentage of operating revenue (%)
1	Employee payroll	968.55	7.15%	1211.3	7.15%	1259.75	7.15%	1310.14	7.15%	1362.55	7.15%	1417.05	7.15%
2	Lease expenses	70.85	0.52%	88.6	0.52%	92.15	0.52%	95.83	0.52%	99.67	0.52%	103.65	0.52%
3	Employee benefits costs	71.47	0.53%	89.38	0.53%	92.96	0.53%	96.67	0.53%	100.54	0.53%	104.56	0.53%
4	Housing fund	51.38	0.38%	64.25	0.38%	66.82	0.38%	69.5	0.38%	72.28	0.38%	75.17	0.38%
5	Others	123	0.91%	153.83	0.91%	159.98	0.91%	166.38	0.91%	173.04	0.91%	179.96	0.91%
6	Social security contributions	41.08	0.30%	51.38	0.30%	53.43	0.30%	55.57	0.30%	57.79	0.30%	60.1	0.30%
7	Business entertainment fees	31.17	0.23%	38.98	0.23%	40.54	0.23%	42.16	0.23%	43.85	0.23%	45.6	0.23%
8	Office expenses	24.98	0.18%	31.24	0.18%	32.49	0.18%	33.79	0.18%	35.14	0.18%	36.54	0.18%
9	Depreciation and amortization expenses	23.85	0.18%	29.83	0.18%	31.02	0.18%	32.26	0.18%	33.55	0.18%	34.89	0.18%
10	Vehicle use costs	8.7	0.06%	10.88	0.06%	11.32	0.06%	11.77	0.06%	12.24	0.06%	12.73	0.06%
11	Intermediary fees	101.85	0.75%	127.38	0.75%	132.48	0.75%	137.78	0.75%	143.29	0.75%	149.02	0.75%
12	Travel expenses	32.04	0.24%	40.07	0.24%	41.67	0.24%	43.34	0.24%	45.07	0.24%	46.88	0.24%
	Total	<u>1,548.92</u>	<u>11.43%</u>	<u>1,937.12</u>	<u>11.43%</u>	<u>2,014.61</u>	<u>11.43%</u>	<u>2,095.19</u>	<u>11.43%</u>	<u>2,179.01</u>	<u>11.43%</u>	<u>2,266.15</u>	<u>11.43%</u>

## 6. Estimation of finance cost

### (1) Finance cost of the valuation target

#### Finance cost and its percentage of the valuation target between 2017 and March 2020

Unit: RMB ten thousand

No	Item	2017		2018		2019		March 2020	
		Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
1	Interest income	-78.42	-0.86%	-151.96	-1.27%	-297.22	-1.71%	-104.90	-2.43%
2	Handling fees	1.89	0.02%	2.89	0.02%	3.69	0.02%	1.46	0.03%
	Total	-76.53	-0.84%	-149.07	-1.24%	-293.53	-1.68%	-103.44	-2.40%

Finance cost mainly represents interest income and handling fees, and its percentage decreased.

### (2) Forecast of finance cost of the valuation target

The finance cost of the valuation target in previous years has been fully accounted. The finance cost of future years for this valuation are determined on the basis the percentage of the finance cost to operating revenue in previous years, in which case, the weighted factors for each year is 0.1, 0.3, 0.5, 0.1, respectively, in reference to the weighted average between 2017 and March 2020. Details of the forecast of finance cost, please see forecast table of finance cost below:

#### Forecast Table of Finance Cost from April-December of 2020 to 2025

Unit: RMB ten thousand

No	Item	April to December 2020		2021		2022		2023		2024		2025	
		Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
1	Interest income	-211.63	-1.56%	-264.67	-1.56%	-275.26	-1.56%	-286.27	-1.56%	-297.72	-1.56%	-309.63	-1.56%
2	Handling fees	3.15	0.02%	3.94	0.02%	4.10	0.02%	4.26	0.02%	4.43	0.02%	4.61	0.02%
	Total	-208.48	-1.54%	-260.73	-1.54%	-271.16	-1.54%	-282.01	-1.54%	-293.29	-1.54%	-305.02	-1.54%

7. *Bad debt loss and forecast*(1) *Bad debt loss of the valuation target***Bad debt loss and its percentage of the valuation target between 2017 and March 2020***Unit: RMB ten thousand*

No	Item	2017		2018		2019		March 2020	
		Amount	Percentage of lending amount (%)						
1	Loan principal	106,987.04		141,427.00		191,623.13		203,581.66	
2	Bad debt loss	772.23	0.72%	375.79	0.27%	1,181.00	0.62%	651.86	0.32%

No	Item	Percentage of operating							
		Amount	Revenue (%)						
1	Bad debt loss	772.23	8.50%	375.79	3.13%	1,181.00	6.78%	651.86	15.10%

(2) *Forecast of bad debt loss of the valuation target*

Bad debt loss is mainly the amount of bad debts provided for receivables. According to the accounting policies of the valuation target, the provision percentages of bad debt loss for the finance lease business and the commercial factoring business are 1.5% and 1% respectively. Given the above two businesses each accounted for 50% of the revenue, it is provided for at 1.25% of new receivables (loan principal).

The five-tier classification method is used by the valuation target to make provision for bad debts as below:

Aging	Finance lease business (%)	Commercial factoring business (%)
Normal class	1.5	1
Special mention	3	3
Subordinated classes	30	30
Doubtful	60	60
Loss	100	100

The principle of determining bad debt loss is as follows: As receivables of the valuation target are mainly divided into accounts receivable (commercial factoring), non-current assets due within one year (sales and leaseback) and long-term receivables (sales and leaseback), it is analyzed according to the percentage of the three amounts that, in general, accounts receivable (commercial factoring) and non-current assets due within one year (sales and leaseback) primarily fall due in one year. Annual repayment amount in future is estimated to be 50% of the lending amount last year. Future lending amount is predicted based on the loan principal as at the Valuation Date and the operating revenue growth rate aforementioned. That is to say, annual new lending amount = annual lending amount in future – 50% of lending amount last year.

#### Forecast Table of Bad Debt Loss from April-December of 2020 to 2025

*Unit: RMB ten thousand*

No	Item	April to					2025
		December 2020	2021	2022	2023	2024	
1	Loan principal	208,671.20	217,018.05	225,698.77	234,726.72	244,115.79	253,880.43
2	Additional debts	112,859.64	112,682.45	117,189.75	121,877.34	126,752.43	131,822.53
3	Provision rate	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
4	Bad debt loss	1,410.75	1,408.53	1,464.87	1,523.47	1,584.41	1,647.78

#### 8. Forecast of non-operating revenue and expense

It is noted that non-operating expense is for charitable purpose, a reasonable forecast of which is hard to make due to its insignificant amount and nature of accidental income and expense. No forecast of any non-operating revenue and expense will be made in this valuation.

#### 9. Income tax expense

Corporate income tax refers to an income tax levied on enterprises (resident and non-resident enterprises) and other profit-earning organizations in the People's Republic of China that are subject to the taxation of income from their production and operation. According to the valuation target, its current corporate income tax rate is 25%.

**10. Forecast of depreciation and amortization of the valuation target***(1) Depreciation and amortization of the valuation target*

Depreciated assets of the valuation target mainly comprise machinery and equipment, vehicles, electronic equipment and intangible assets (software), and amortization expenses are the amortization of decoration expenses. Details of depreciation and amortization are shown in the table below:

**Depreciation and amortization and its percentage of the valuation target between  
2017 and March 2020**

*Unit: RMB ten thousand*

Item	2017		2018		2019		March 2020	
	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
Depreciation and amortization expenses	21.74	0.24%	22.95	0.19%	25.25	0.14%	9.60	0.22%

*(2) Forecast of depreciation and amortization of the valuation target*

It is assumed in this valuation that the depreciation of fixed assets, to be provided for by the valuation target according to requirements, is used fully for the maintenance and upgrade of the original fixed assets. The depreciation in future years will be determined at the depreciation rate set out in the accounting policies. A stable growth year is determined based on the forecast period and the depreciation amount of capital expenditure in the stable growth year. Amortization expense of intangible assets is determined at the depreciation rate set out in the original accounting policies. An addition of fixed assets subsequent to the Valuation Date are depreciated at the depreciation rate pursuant to the accounting policies.

## Forecast Table of Depreciation and Amortization from April-December of 2020 to 2025

Unit: RMB ten thousand

	Item	Original value		Depreciation/ amortization rate	April to December 2020	2021	2022	2023	2024	2025
		Original value	Net value							
Existing amount on Valuation Date	Office equipment	42.25	15.22	19%	6.02	8.03	8.03	8.03	0.00	0.00
	Vehicles	66.05	51.49	9.50%	4.71	6.28	6.28	6.28	6.28	6.28
	Decoration deferred expenses	207.05	154.76	20.00%	31.06	41.41	41.41	40.88	0.00	0.00
	Subtotal	315.36	221.47	/	41.79	55.71	55.71	55.19	6.28	6.28
	Intangible assets (software)	0.83	0.13	20%	0.13	0.00	0.00	0.00	0.00	0.00
	Total	316.19	221.60	/	41.91	55.71	55.71	55.19	6.28	6.28
Depreciation and amortization after Valuation Date (increase)	2021	0.83	0.83	/	0.00	0.17	0.17	0.17	0.17	0.17
	2022	0.00	0.00	/	0.00	/	0.00	0.00	0.00	0.00
	2023	0.00	0.00	/	0.00	/	/	0.00	0.00	0.00
	2024	42.25	42.25	/	0.00	/	/	/	8.45	8.45
	2025	62.78	62.78	/	0.00	/	/	/	/	12.56
	Subtotal	105.87	105.87	/	0.00	0.17	0.17	0.17	8.62	21.17
Total	/	422.07	327.47	/	41.91	55.88	55.88	55.35	14.89	27.45

**11. Increase or decrease in interest-bearing liabilities**

While its business needs are met, that is, the enterprise has sufficient liquidity in hand, it will formulate a corresponding borrowing and repayment plan to maximize benefits. Taking into account the enterprise's slow future business growth, rising finance cost and sufficient internal liquidity, the enterprise will reduce the percentage of external financing according to specific circumstances, and fully utilize profit to generate its own capital.

Based on interest-bearing debts on the Valuation Date, the amount of external financing required in future is determined based on the above forecast of growth rate of the main operating revenue, the enterprise's working capital and its forecast of the financing plan.

**Forecast Table of Decrease in Interest-bearing Liabilities**

Currency Unit: RMB ten thousand

	31 March 2020	April to December 2020		2021	2022	2023	2024	2025
		31 March 2020	April to December 2020					
Loan amount	114,408.81	116,624.87	120,486.03	124,469.48	128,578.83	132,817.78	137,190.11	
Increase or decrease in interest-bearing liabilities	/	2,216.06	3,861.16	3,983.45	4,109.35	4,238.95	4,372.33	

*12. Forecast of increase in working capital*

The increase in working capital represents the operating capital that the enterprise requires to be increased, without changing the current major business conditions, so as to maintain normal business operations, which are additional funds needed to maintain the enterprise's ability to operate on a going concern basis. The working capital is a collective term of current assets and current liabilities of an enterprise. Net working capital is derived from the balance of current assets deducted by current liabilities. Current assets refer to assets that can be realized and used within a year or an operating cycle beyond a year, as well as characterized by short occupation time, fast turnover and easy realization. The enterprise can reduce financial risk to such a certain extent it has more current assets. The current assets mainly comprise following items in the balance sheet: monetary capital, short-term investment, notes receivables, accounts receivable, prepayments and inventory. The current liabilities refer to debts that should be repaid within a year or an operation cycle beyond a year. The current liabilities, also known as short-term finance, is characterized by low cost and short repayment period and should be managed meticulously, or otherwise the enterprise will be exposed to greater risk. Current liabilities mainly comprise following items: short-term borrowings, notes payables, accounts payable, payroll payables, tax payables and unpaid profits, etc.

In view of the operating nature of the valuation target, funds can be obtained through borrowing so as to achieve rolling operations. As a result, the valuation target is only required to maintain minimum cash in future forecast period without working capital, and there is no change in working capital during the forecast period.

**13. Forecast of free cash flow of equity in future years**

The free cash flow of equity of the enterprise in future years is arrived at based on each of the forecasts above, the details of which are set forth in the forecast table of free cash flow of equity statement and continued tables:

**Forecast Table of Free Cash Flow of Equity Statement**

*Unit: RMB ten thousand*

Line	Item/Year	Forecast Data						Stable growth year
		April to						
		December	2021	2022	2023	2024	2025	
	2020	Amount	Amount	Amount	Amount	Amount	Amount	Amount
1	I. Operating revenue	13,546.01	16,941.01	17,618.65	18,323.40	19,056.33	19,818.59	19,818.59
2	Less: operating cost	6,379.36	8,345.76	8,679.59	9,026.78	9,387.85	9,763.36	9,763.36
3	Business taxes and surcharges	16.28	20.36	21.17	22.02	22.90	23.82	23.82
4	Sales expense	104.79	131.06	136.30	141.75	147.43	153.32	153.32
5	Administrative expenses	1,548.92	1,937.12	2,014.61	2,095.19	2,179.01	2,266.15	2,266.15
6	Finance cost	-208.48	-260.73	-271.16	-282.01	-293.29	-305.02	-305.02
7	Impairment loss of assets	1,410.75	1,408.53	1,464.87	1,523.47	1,584.41	1,647.78	1,647.78
8	Add: gains from changes in fair value							—
9	Investments income							—
10	Including: investments income from associates and joint venture							—
11	II. Operating profit	4,294.40	5,358.91	5,573.27	5,796.20	6,028.03	6,269.18	6,269.18
12	Add: non-operating revenue							—
13	Less: non-operating expenses							—
14	Including: loss from disposal of non-current assets							—
15	III. Total profit	4,294.40	5,358.91	5,573.27	5,796.20	6,028.03	6,269.18	6,269.18
16	Less: income tax expenses	1,073.60	1,339.73	1,393.32	1,449.05	1,507.01	1,567.29	1,567.29
17	IV. Net profit	3,220.80	4,019.18	4,179.95	4,347.15	4,521.02	4,701.88	4,701.88
18	Add: depreciation and amortization	41.91	55.88	55.88	55.35	14.89	27.45	27.45
19	Add: increase or decrease in interest-bearing liabilities	2,216.06	3,861.16	3,983.45	4,109.35	4,238.95	4,372.33	—
20	Less: increase in operating cash	—	—	—	—	—	—	—
21	Less: capital expenses (additional capital)	—	—	—	—	42.25	62.78	8.62
22	V. Free cash flow of Equity	5,478.77	7,936.22	8,219.28	8,511.86	8,732.61	9,038.88	4,720.72

**(II) Determination of the discount rate****1. Definite risk-free rate of return  $r_f$** 

Treasury yields are generally considered to be risk-free, as the risk of failure to honor payments at maturity is insignificant and can be ignored.

According to the China Central Depository & Clearing Co., Ltd., the equity yield rate over a 50-year standard period is 4.056% on the Valuation Date, which is rounded to 4.06%. In this valuation, such equity yield rate is taken as a risk-free rate of return.

## 2. *Definite market return rate $r_m$*

The stock exchange index represent comprehensive indicators used to reflect stock trading in the stock market. We selected SSE Composite Index and the SZSE Component Index, respectively as the indicators of the stock investment income of the Shanghai Stock Exchange and the Shenzhen Stock Exchange. In order to calculate the rate of return on investing in stocks, we have collected the annual indices of above two stock exchanges from 1991 to 2019 to calculate the annual rate of return of the SSE Composite Index and the SZSE Component Index, respectively, the results of which are set out below:

No	Year	SZSE Component Index		SSE Composite Index	
		Year-end closing index	Index yield	Year-end closing index	Index yield
1	1991	963.57		292.75	
2	1992	2,309.77	139.71%	780.39	166.57%
3	1993	2,225.38	-3.65%	833.80	6.84%
4	1994	1,271.05	-42.88%	647.87	-22.30%
5	1995	987.75	-22.29%	555.28	-14.29%
6	1996	3,217.54	225.74%	917.02	65.15%
7	1997	4,184.84	30.06%	1,194.10	30.22%
8	1998	2,949.31	-29.52%	1,146.69	-3.97%
9	1999	3,369.61	14.25%	1,366.57	19.18%
10	2000	4,752.75	41.05%	2,073.48	51.73%
11	2001	3,325.66	-300.47%	1,645.97	-20.62%
12	2002	2,795.30	-15.95%	1,357.65	-17.52%
13	2003	3,479.80	24.49%	1,497.04	10.27%
14	2004	3,067.57	-11.85%	1,266.50	-15.40%
15	2005	2,863.61	-6.65%	1,161.06	-8.33%
16	2006	6,647.14	132.12%	2,675.47	130.43%
17	2007	17,700.62	166.29%	5,261.56	96.66%
18	2008	6,485.51	-63.36%	1,820.81	-65.39%
19	2009	13,699.97	111.24%	3,277.14	79.98%
20	2010	12,458.55	-9.06%	2,808.08	-14.31%
21	2011	8,918.82	-28.41%	2,199.42	-21.68%
22	2012	9,116.48	2.17%	2,269.13	3.07%
23	2013	8,121.79	-10.91%	2,115.98	-6.75%
24	2014	11,014.62	35.62%	3,234.68	52.87%
25	2015	12,664.89	14.98%	3,539.18	9.41%
26	2016	11,264.27	-11.06%	3,103.64	-12.31%
27	2017	11,040.45	-1.99%	3,307.17	6.56%
28	2018	7,239.79	-34.42%	2,493.90	-24.59%

No	Year	SZSE Component Index		SSE Composite Index	
		Year-end closing index	Index yield	Year-end closing index	Index yield
29	2019	10,430.77	44.08%	3,050.12	22.30%
	Arithmetic mean		23.56%		18.00%
	Geometric mean		8.88%		8.73%
	Market capitalization of Shenzhen Stock Exchange (RMB100 million)			62,618	
	Market capitalization of Shanghai Stock Exchange (RMB100 million)			275,418	
	Percentage of Shenzhen Stock Exchange			18.52%	
	Percentage of Shanghai Stock Exchange			81.48%	
	Rm			8.76%	

Since geometric mean can more appropriately reflect the annual average rate of return indicator, we use the geometric mean to determine that  $r_m$  equals 8.76% based on the weighted average of capitalization proportion of the two stock markets as at the Valuation Date.

### 3. $\beta$ e value

$\beta$  coefficient also refers to beta coefficient and represents a risk indicator, which is used to gauge the pricing movement of any individual stock or equity funds in the entire stock market.  $\beta$  coefficient, an instrument to evaluate the systematic risk exposure of securities, is used to measure the volatility of an individual security or a security portfolio in comparison to the unsystematic risk of the entire market.

The valuation target conducts its business within the market of mainland China, subject to the market conditions of mainland China. Therefore, the CSI 300 Index was selected as the index of the overall market in this valuation, and the stock price of the finance lease companies listed in A-share market on the main board of Shanghai and Shenzhen Stock Exchanges were selected to calculate the fluctuation of the overall market for the purpose of calculating the risk index of such finance leasing industry in the overall market in mainland China.

The purpose of selecting the finance lease companies listed in the A-share market on the main board of Shanghai and Shenzhen Stock Exchanges is to calculate the risk index of the industry, that is, the beta coefficient, based on the changes in the stock price of the selected companies and the fluctuation of the overall market index, instead of comparing the finance lease companies listed in the A-share market on the main board of Shanghai and Shenzhen Stock Exchanges with the valuation target.

The comparable companies selected in this valuation are A-share main board listed companies, with the selection criteria set out below:

- (1) The comparable companies are profitable in recent years;
- (2) The comparable companies merely issue A shares;
- (3) The comparable companies are engaged in an industry which is, or their principal business is, finance lease.

**Bohai Leasing Co., Ltd. (000415.SZ) (“Bohai Leasing”) and Jiangsu Financial Leasing Co., Ltd. (600901. SH) (“Jiangsu Financial Leasing”) are the only two leasing companies listed on the main board in the domestic A-share stock market.**

According to the above principles, there are two listed companies that can be regarded as comparable company:

No.	Stock code	Stock short name	Beta
1	000415	Bohai Leasing	1.1561
2	600901	Jiangsu Leasing	0.9778

The process of calculating the  $\beta$  e value is shown in the table below:

Period Year	Month	CSI 300	Bohai Leasing 000415		Jiangsu Leasing 600901		
		Closing Index	Yield	Closing price	Yield		
2019	1	3,201.63		3.38		5.54	
2019	2	3,669.37	13.39%	4.62	26.84%	7.37	24.78%
2019	3	3,872.34	5.24%	4.65	0.65%	7.23	-1.87%
2019	4	3,913.21	1.04%	4.39	-5.92%	6.75	-7.11%
2019	5	3,629.79	-7.81%	3.86	-13.73%	6.15	-9.76%
2019	6	3,825.59	5.12%	3.92	1.53%	6.09	-0.99%
2019	7	3,835.36	0.25%	3.75	-4.53%	6.14	0.81%
2019	8	3,799.59	-0.94%	3.52	-6.53%	5.84	-5.14%
2019	9	3,814.53	0.39%	3.58	1.68%	5.74	-1.74%
2019	10	3,886.75	1.86%	3.51	-1.99%	5.94	3.37%
2019	11	3,828.67	-1.52%	3.42	-2.63%	6.00	1.00%
2019	12	4,096.58	6.54%	3.80	10.00%	6.32	5.06%
2020	1	4,003.90	-2.31%	3.46	-9.83%	5.88	-7.48%
2020	2	3,940.05	-1.62%	3.3	-4.85%	5.37	-9.50%
2020	3	3,686.16	-6.89%	2.9	-13.79%	5.09	-5.50%
According to definition	Standard deviation		0.0536	0.1036		0.0875	
	Relevant coefficient			0.9306		0.8125	
	$\beta$ coefficient			1.8007		1.3271	
According to Regression Line	Regression equation intercept			-0.0321		-0.0215	
	Regression equation slope			1.8007		1.3271	
	Regression equation $\beta$ coefficient			$K_j = -0.0321 + 1.8007K_m$		$K_j = -0.0215 + 1.3271K_m$	
Case	Income tax rate T			25%		25%	
	Amount of debt B			210,961,000,000		56,366,000,000	
	Share capital S			37,754,000,000		11,997,000,000	
	Liability/Equity			5.5878		4.6983	
	Eliminate the influence of capital structure on $\beta$ value			0.3469		0.2934	
	Valuation target	Income tax rate T				25%	
Amount of debt B					1,683,694,391		
Share capital S					541,353,668		
Liability/Equity					3.1102		
Influence of capital structure on $\beta$ value				1.1561		0.9778	
Weighting $\beta$ coefficient				66.7%		33.3%	
					1.0967		

#### 4. *Specific risks of the enterprise* $\varepsilon$

In this valuation, we have taken into account of the characteristic individual risk that may arise from the differences between the valuation target and the comparable listed companies in terms of financing conditions, capital liquidity, corporate governance structure, and capital debt structure.

Specific risks of the enterprise = operating risks + market risks + management risks + financial risks

In this valuation, the forecast of the enterprise's specific risks is shown in the table below:

Category	Return rate	Forecast Description
Operating risks	1%	Operating Risk refers to the risk of reducing the expected revenue of investors due to the changes in profitability of the company arising from the mistakes made by the company's decision-makers and management personnel in the operation and management.
Market risks	1%	Market Risk refers to the risk of unanticipated potential losses in the securities market due to changes in stock prices, interest rates and exchange rates, etc.
Management risks	0.5%	Management Risk refers to the risk that affects the level of management due to information asymmetry, poor management and misjudgment in the management process. There is a clear division of labor among the management of the valuation target, who were provided with a variety of advanced management tools to improve their management.
Financial risks	1%	Financial Risk refers to the risk of reducing the expected revenue of investors due to the possibility of losing solvency arising from the unreasonable financial structure and improper financing of the company. Belonging to the financial industry, the enterprise mainly obtains profits from spreads, which subject to certain financial risks.

To conclude, the enterprise's specific risks  $\varepsilon$  is valued at 3.5% in this valuation.

### 5. *Cost of equity capital re*

This valuation determines the cost of equity capital based on the Capital Asset Pricing Model (CAPM):

$$\begin{aligned} r_e &= r_f + \beta_e \times (r_m - r_f) + \varepsilon \\ &= 4.06\% + 1.0967 \times (8.76\% - 4.06\%) + 3.5\% \\ &= 12.72\% \end{aligned}$$

The cost of equity capital re of the valuation target is 12.72%.

### (III) Valuation of the Total Shareholders' Equity

The discounted free cash flow model of equity is used with the basic formula as follows:

$$EV = \sum_{i=1}^n \frac{FCFE_t}{(1 + Re)^t}$$

Where:

EV	—	Valuation of the Total Shareholders' Equity;
R <sub>e</sub>	—	Return rate of equity;
FCFE <sub>t</sub>	—	Free cash flow of equity for the t year.

Through the above discount model, the process of calculating the valuation of the Total Shareholders' Equity is shown in the table below:

Line No.	Item/Year	Forecast data					Stable growth year Amount	
		April to December 2020	2021	2022	2023	2024		2025
		Amount	Amount	Amount	Amount	Amount		Amount
1	I. Operating revenue	13,546.01	16,941.01	17,618.65	18,323.40	19,056.33	19,818.59	19,818.59
2	Less: operating cost	6,379.36	8,345.76	8,679.59	9,026.78	9,387.85	9,763.36	9,763.36
3	Business taxes and surcharges	16.28	20.36	21.17	22.02	22.90	23.82	23.82
4	Sales expense	104.79	131.06	136.30	141.75	147.43	153.32	153.32
5	Administrative expenses	1,548.92	1,937.12	2,014.61	2,095.19	2,179.01	2,266.15	2,266.15
6	Finance cost	-208.48	-260.73	-271.16	-282.01	-293.29	-305.02	-305.02
7	Impairment loss of assets	1,410.75	1,408.53	1,464.87	1,523.47	1,584.41	1,647.78	1,647.78
8	Add: gains from changes in fair value							—
9	Investments income							—
10	Including: income from investments in associates and joint venture							—
11	II. Operating profit	4,294.40	5,358.91	5,573.27	5,796.20	6,028.03	6,269.18	6,269.18
12	Add: non-operating revenue							—
13	Less: non-operating expenses							—
14	Including: loss from disposal of non-current assets							—
15	III. Total profit	4,294.40	5,358.91	5,573.27	5,796.20	6,028.03	6,269.18	6,269.18
16	Less: income tax expenses	1,073.60	1,339.73	1,393.32	1,449.05	1,507.01	1,567.29	1,567.29
17	IV. Net profit	3,220.80	4,019.18	4,179.95	4,347.15	4,521.02	4,701.88	4,701.88
18	Add: depreciation and amortization	41.91	55.88	55.88	55.35	14.89	27.45	27.45
19	Add: increase or decrease in interest-bearing liabilities	2,216.06	3,861.16	3,983.45	4,109.35	4,238.95	4,372.33	—
20	Less: increase in operating cash	—	—	—	—	—	—	—
21	Less: capital expenses (additional capital)	—	—	—	—	42.25	62.78	8.62
22	V. Free cash flow of equity	5,478.77	7,936.22	8,219.28	8,511.86	8,732.61	9,038.88	4,720.72
23	Discount period	0.75	1.75	2.75	3.75	4.75	5.75	5.75
24	VI. Discount rate				12.72%			
25	VII. Present value of free cash flow of equity	5,008.21	6,435.94	5,913.32	5,432.76	4,944.69	4,540.56	18,642.97
26	Total present value of free cash flow				50,918.45			

Taking no value of non-operating assets, liabilities and excess assets into account as mentioned above, the valuation of Total Shareholders' Equity of the valuation target would be RMB509,184,500.

#### (IV) Valuation of non-operating assets and liabilities and excess assets

##### 1. Non-operating assets

After conducting inventory and analysis of the breakdown of various assets, there are no non-operating assets.

**2. Excess assets**

As the minimum cash holdings is a theoretical value in amount, it is more reasonable to recognise the amount of monetary capital on the Valuation Date as the funds required by the enterprise for normal business operations, that means the valuation target has no excess monetary capital as at the Valuation Date.

Excess monetary capital = nil.

**3. Value of long-term equity investment**

Value of long-term equity investment is RMB42,290,500 based on the valuation conclusion of value of long-term equity investment by using asset-based approach.

**4. Value of deferred income tax assets**

Value of deferred income tax assets is RMB8,211,800 based on the valuation conclusion of value of deferred income tax assets by using asset-based approach.

**5. Non-operating liabilities**

After conducting inventory and analysis of the breakdown of various liabilities, there are no non-operating liabilities.

**(V) Valuation results**

After being valued, the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited, the valuation target, is calculated as shown in the table below.

**Total Shareholders' Equity Valuation Table**

*Unit: RMB ten thousand*

<b>Item</b>	<b>Amount</b>
7. Present Value of Free Cash Flow	50,918.45
Add: Non-operating assets	—
Add: Excess assets	—
Add: Long-term equity investment	4,229.05
Add: Held-to-maturity investment	—
Add: Deferred income tax assets	821.18
Less: Non-operating assets and liabilities, net	—
Less: Deferred income	—
8. Total Shareholders' Equity	55,968.68

**IX. IMPLEMENTATION PROCESS AND STATUS OF VALUATION PROCEDURES**

The valuation of this project began on 16 May 2020, and ended on 1 June 2020. The entire valuation was carried out in four stages:

**(I) Valuation preparation stage**

1. Understood the basic profile of the appraised subject involved in the business proposed to be undertaken, determined the valuation purpose, Valuation Date, appraised subject and valuation scope;
2. Conducted comprehensive analysis and assess on the professional competence, independence and business risk according to the valuation purpose and background of transaction, signed Assets Valuation Engagement Contract and formulated assets valuation plan of this project;
3. According to the characteristics of the valued assets, assisted the enterprise to conduct inventory of assets, submit the targeted due diligence investigation materials list and the valuation statement of assets and liabilities; then required the valuation target to prepare for the valuation;
4. Contacted the relevant staff of the valuation target, arranged for and counseled them to report the valued assets according to the requirements of assets valuation, and prepared each document and information necessary for assets valuation.

**(II) On-Site valuation stage**

1. Understood the internal system, operating status and the utilising status of assets of the enterprise by listening to the introduction by the relevant personnel of the Client and the valuation target on the overall situation of the enterprise and the history and current status of the valued assets;
2. Checked and identified the valuation declarations provided by the enterprise with relevant financial records and data of the enterprise, and collaborated with the enterprise to make adjustment or supplement in respect of the identified problems;

3. Based on various assets within the enterprise valuation scope and in compliance with requirements of asset valuation standards, conducted a survey and verification on various assets in line with their characteristics, so as to match the accounts with the actual assets. In particular:
  - (1) For current assets and current liabilities, conducting verification on their original evidences, including check, examination and inquiry, etc.;
  - (2) For tangible assets, adopting verification including check, survey, examination, inquiry, etc.;
  - (3) For materials and information obtained during the investigation process, adopting observation, enquiry, interview, verification, written review, check of records or documents, on-site investigation, inquiry and external confirmation, analysis, calculation, review and other inspection and verification methods according to the principle of importance;
  - (4) For tangible assets, conducting on-site inspections and sampling checks according to the asset valuation declaration form;
4. Inspected and collected information with respect to this valuation and required the enterprise to confirm, among others:
  - (1) General information, economic behavior document, profit forecast information, audit report and other professional reports of the enterprise;
  - (2) Asset valuation declaration form provided by the enterprise;
  - (3) Certificate of property right of the valued assets, mainly including business contracts of the asset, invoices, bank statements, vehicle driving licenses, commitment letters, etc.;
  - (4) Valuation technical data collected, mainly including inventory survey form, completion and acceptance information of the building or other ownership information, technical instructions of equipment, repair and maintenance and technical renovation records, etc.;
5. Checked, verified, analyzed and sorted the collected information with corresponding assets to maintain the completeness and reasonableness of the information. Estimate the questioned assets, and request the valuation target to verify and confirm whether such assets are owned by the enterprise and whether there is dispute regarding ownership.

**(III) Valuation and summary stage**

We performed necessary analysis, summarisation and arrangement on the valuation data collected from the on-site valuation to form the basis for estimation; selected or adjusted the applicable valuation methods according to relevant conditions such as the appraised subject, type of value, the collection of valued information, and selected corresponding calculation formulas and parameters for calculations, analysis and determinations to form a preliminary valuation result; and consolidated and formed the preliminary valuation conclusion in the case that no repeated valuation or omission of evaluation is confirmed within the scope of the valued assets, the conclusion of which was subject to the reasonableness analysis to arrive at the preliminary valuation conclusions; and finally drafted the valuation report and submitted it internally for review.

**(IV) Valuation report submitting stage**

On the basis of completing the above work, exchanging views of the valuation conclusions with the client without affecting the valuation conclusions independently formed by the valuation institution and the valuers, after fully considering the related opinions, repeatedly revising and proofreading the valuation report according to the three-level review system and procedures of the company, and finally providing a formal valuation report.

**X. VALUATION ASSUMPTIONS**

This valuation was conducted mainly based on the following major assumptions and restrictions. Corresponding adjustments should be made to valuation conclusions if there is a significant change in following major assumptions and restrictions.

**(I) General assumptions****1. *Arm's length transaction assumption***

Arm's length transaction assumption assumes that the valuation target to be valued is already in the process of transaction and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the valuation target on arm's length. Arm's length transaction assumption is the most fundamental assumption for the valuation of assets.

**2. *Open market assumption***

Open market assumption assumes that both parties of the asset transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and transaction prices of the assets. The open market assumption is based on the fact that the assets can be traded openly in the market.

3. Continuous use assumption: Continuous use assumption is a hypothesis made on the conditions of the market where the assets are intended to be entered as well as the status of the assets in such market conditions. It is firstly assumed that the valued assets are in use and will be used continuously. Continuous use assumption not only states the market condition or environment of the valued assets but also emphasizes the existing status of assets. Under continuous use assumption, no consideration is given to the conversion of the use of the assets or the use of the assets under the best condition. Thus, the applicable scope of valuation results is subject to restriction.
4. Going concern assumption is a valuation assumption made by taking the overall assets of the enterprise as the valuation target. In the assumption, the enterprise as the business entity could operate legally on a going concern basis in the external environment according to the business objectives based on the existing assets and resource conditions, with the operators of the enterprise being responsible and possessing the capacity to assume duties.

## **(II) Special assumptions**

1. The financial audit report, forecast data and other valuation data provided by the valuation target are true, complete, legal and valid.
2. The valuation target fully complies with relevant laws, regulations and other policies of the country and operates legally.
3. The management of the valuation target has responsibly fulfilled its obligations for the business operation, and has competently implemented effective management; there is no major change in the management and backbone technical personnel.
4. There is no major change to the existing laws, regulations, rules and policies of the country and national macroeconomic situation.
5. There is no major change in the political, economic and social environment of the place where parties to the transaction operate; the exchange rate, interest rate, and the tax base and tax rate of the enterprise are basically in line with the actual situation.
6. Make necessary analysis, judgment and adjustment of the future revenue forecast of the enterprise provided by the client or relevant parties, and reasonably determine the valuation assumptions after considering various future possibilities and their impacts and form future revenue forecast.
7. This valuation assumes that the enterprise's cash flow is generated during the period of each forecast period.

8. It is assumed that the shareholders of the valuation target control the leverage ratio of the finance lease company within 8 times of the net assets in the future forecast period according to the regulatory measures of the finance lease industry, and profit distribution will be made to the maximum possible extent if the leverage ratio of the valuation target in the future period meets the regulatory requirements (being no more than 8 times). If the leverage ratio is expected to exceed the regulatory requirements, no profit distribution will be made, and all profit will be retained for the valuation target to expand the net assets.
9. It is assumed that balanced investments are made to projects, the duration of projects are consistent with that of projects in the past years, and funds are put into projects on time; the proportion of default of the invested projects is within the reasonable predicted range, and there is no substantial malicious default.
10. This valuation is on the premise of the business model, investment and financing structure and development trend on the reference date of the enterprise. There is no major change on future business model and financing channels, and the financing funds of the valuation target will be received on time.
11. The valuation target makes reasonable improvements and reorganization of the existing assets to enhance profitability. The receivables and payables are collected or made within reasonable period without affecting the operation.
12. The accounting policies adopted in the preparation of this report are basically consistent with that adopted by the valuation target in the past years in all material respects.
13. The valuation report is made based on the analysis of related financial forecasts provided by the management of the valuation target and based on the assumption that such financial forecasts can be achieved for each respective year in the future and meet the operational and financial conditions of the valuation target in each respective year.
14. This valuation assumes that it is the perpetual period of operation when the estimated profitability remains stable, and the expected return during the perpetual period is equal to the adjusted value of the return in the last year of the forecast period.
15. There are no other material adverse effects caused by unpredictable and force majeure factors.
16. No consideration is given to the impact of abnormal inflation factors in this estimate.

**(III) The Impact of the Above Assumptions of the Valuation on the Conclusion of the Valuation**

The valuation conclusion of this valuation report is established on the Valuation Date based on the aforesaid assumptions. When major changes of the aforesaid assumptions occur, the signing asset valuer and the valuation institution disclaim any responsibility for any different valuation conclusion arising from changes in above assumptions.

**XI. CONCLUSION OF THE VALUATION****(I) Conclusion of the Valuation and Analysis**

As at 31 March 2020 (the Valuation Date), the audited book value of the total assets of the valuation target (recognised in the parent company) was RMB2,225,048,100, the book value of the total liabilities was RMB1,683,694,400, and the book value of the net assets was RMB541,353,700. The audited book value of the total assets of the valuation target (on a consolidated basis) was RMB2,335,444,400, the book value of the total liabilities was RMB1,738,928,000, the book value of the net assets was RMB596,516,400, and the equity attributable to the owners of the parent company was RMB543,418,800.

The asset-based approach (cost approach) and the income approach are employed for this valuation.

**1. Valuation results by using the asset-based approach (cost approach)**

The appraised value of the total assets is RMB2,227,299,600, the appraised value of the total liabilities is RMB1,683,694,400, and the appraised value of the Total Shareholders' Equity is RMB543,605,200 (in words: RMB Five Hundred Forty-Three Million Six Hundred Five Thousand and Two Hundred), with an incremental value of RMB2,251,500 or 0.42% over the book value recognised in the parent company and an incremental value of RMB186,400 or 0.03% over the book value on a consolidated basis.

The valuation results of various assets, liabilities and net assets are shown in the table below:

**Summary of Results under Asset-Based Approach (Cost Approach)**

*Unit: RMB ten thousand*

	Items	Book Value	Appraised Value	Increase or Decrease	Incremental rate %
		A	B	C = B - A	D = C / A × 100%
1	Current assets	145,025.14	145,025.14	—	—
2	Non-current assets	77,479.67	77,704.82	225.15	0.29%
3	Of which: Available-for-sale financial assets	—	—	—	—
4	Held-to-maturity investments	1,500.00	1,500.00	—	—
5	Long-term receivables	70,937.99	70,937.99	—	—
6	Long-term equity investment	4,000.00	4,229.05	229.05	5.73%
7	Investment properties	—	—	—	—
8	Fixed assets	65.61	61.72	-3.89	-5.93%
9	Construction in progress	—	—	—	—
10	Construction materials	—	—	—	—
11	Disposal of fixed assets	—	—	—	—
12	Productive biological assets	—	—	—	—
13	Oil and gas assets	—	—	—	—
14	Intangible assets	0.13	0.12	-0.01	-7.69%
15	R&D expenses	—	—	—	—
16	Goodwill	—	—	—	—
17	Long-term deferred expenses	154.76	154.76	—	—
18	Deferred income tax assets	821.18	821.18	—	—
19	Other non-current assets	—	—	—	—
20	<b>Total assets</b>	222,504.81	222,729.96	225.15	0.10%
21	Current liabilities	93,537.91	93,537.91	—	—
22	Non-current liabilities	74,831.53	74,831.53	—	—
23	<b>Total Liabilities</b>	168,369.44	168,369.44	—	—
24	<b>Net assets (owner's equity)</b>	54,135.37	54,360.52	225.15	0.42%

*Note:* analysis and explanation on the reason for the increase or decrease of asset valuation results:

- (1) Analysis on the reason for the increase or decrease in fixed assets: after re-evaluation, the value of fixed assets such as vehicles is estimated through direct comparison or analysis by analogy of recent transaction prices of the same or similar assets in the market. The market approach, an approach of determining second-hand price with reference to the prevailing market price under the premise of continuous use, is employed in the asset valuation for calculating the appraised value. There is an impairment in vehicles due to the factors such as the functional and physical depreciations as a result of the rapid upgrade or replacement of vehicles. The cost method is employed for assets valuation, i.e. on the premise of continuous use, the replacement cost is determined based on the current market price of repurchasing the asset, while the newness rate is determined through site inspection and comprehensive technical analysis, based on which the appraised value is calculated. Since the cost method is employed to evaluate the machinery and equipment, there is an increase in value primarily due to the faster depreciation and amortization in terms of accounting than their actual depreciation.
- (2) Analysis on the reason for the decrease in intangible assets: The intangible assets mainly represent purchased software. After asking for price quotation in the market, we found the market price of this type of software has decreased, and the market approach is employed to calculate the appraised value, there is a decrease in value.
- (3) Analysis on the reason for increase in the long-term equity investment: the entity involved in the long-term equity investment is Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司), the contributed and registered capital of which is RMB200 million. As for such registered capital, Guangdong Yaoda Financial Leasing Company Limited made a capital contribution of RMB80 million, representing 40% of the contributed registered capital. The actual paid-in registered capital of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) is RMB90 million, of which, Guangdong Yaoda Financial Leasing Company Limited contributed an actual capital of RMB40 million, representing 44.44% of the actual paid-in registered capital. As each shareholder of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) has not completed the capital contribution, the appraised value of the long-term equity investment for this valuation on the long-term equity investment was determined based on the appraised value of the owners' equity in the long-term equity investment as at the Valuation Date, which is calculated based on the actual capital contribution ratio.

## 2. Valuation Results by using the Income approach

The appraised value of the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited by using the income approach is RMB559,686,800 (In words: RMB Five Hundred Fifty-Nine Million Six Hundred Eighty-Six Thousand Eight Hundred), with an incremental value of the appraised value over the book value of net assets recognised in the parent company of RMB18,333,100 or 3.39%, and an incremental value of the appraised value over the book value of net assets on a consolidated basis of RMB16,268,000 or 2.99%.

### Total Shareholders' Equity Valuation Table

*Unit: RMB ten thousand*

Items	Amount
7. Present Value of Free Cash Flow	50,918.45
Add: Non-operating assets	—
Add: Surplus assets	—
Add: Value of long-term equity investment	4,229.05
Add: Value of held-to-maturity investment	—
Add: Deferred income tax assets	821.18
Less: Non-operating assets and liabilities, net	—
Less: Deferred income	—
8. Total Shareholders' Equity	55,968.68

## (II) Explanation on The Selection of Valuation Results

The appraised value of the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited by using the asset-based approach (cost approach) is RMB543,605,200 while the appraised value by using the income approach is RMB559,686,800. The difference in the valuation conclusion between the above two approaches is RMB16,081,600, and the difference rate is 2.96%. The primary reasons for such difference are:

The asset-based approach evaluates the fair market value of an asset from the perspective of asset replacement. It only reflects the individual value of the enterprise's assets, being the socially necessary labour consumed by investment in assets (procurement and construction costs), and cannot fully and reasonably embody the comprehensive profitability of each assets and the growth potential of the enterprise, and cannot cover the value of intangible assets such as contract performance, customer resources, goodwill, and human resources. The procurement and construction costs usually change along with the changes in the finance lease industry.

The income approach is to evaluate the value of the enterprise by discounting expected income. It not only considers the assets measured according to the accounting principles, but also considers the resources beneficially owned or controlled by the enterprise that cannot be reflected in the balance sheet, such as contract performance, customer resources, sales network, potential projects, qualifications of the enterprise, human resources, strong product research and development capabilities, and the contribution of these resources to the enterprise is reflected in the enterprise's net cash flow, so the valuation conclusion by using the income approach can better reflect the overall growth potential and profitability of the enterprise.

We believe that the value of an asset is usually not based on its replacement cost but market participants' expectations about its future income. After conducting investigation on the financial position of the valuation target and analysis of its operating status and considering the asset valuation target, its purpose, and applicable type of value and making comparative analysis, the valuers believe that the valuation conclusion by using the income approach can reflect the intrinsic value of the enterprise in a more comprehensive and reasonable way. Therefore, the valuation result by using the income approach is adopted as the final conclusion of this valuation. That is to say, **The value of the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited is RMB559,686,800 (In words: RMB Five Hundred Fifty-Nine Million Six Hundred Eighty-Six Thousand Eight Hundred), with an incremental value of the appraised value over the book value of net assets recognised in the parent company of RMB18,333,100 or 3.39%, and an incremental value of the appraised value over the book value of net assets on a consolidated basis of RMB16,268,000 or 2.99%.**

### (III) Conditions for Conclusion of the Valuation

1. The assets of the appraised subject are in a normal, reasonable and legitimate operation, use and maintenance status as permitted by the existing legal, economic and technical conditions.
2. The valuation conclusion, subject to the valuation assumptions and limiting conditions hereof, are our opinion on the market value of the Total Shareholders' Equity of the valuation target on the Valuation Date, which are expressed for your reference in relation to the valuation purpose set out in this report.
3. The conclusions of this valuation report reflect the market value of the appraised subject determined based on the valuation purpose set out in the report as well as the going concern assumption and open market assumption and the "valuation assumptions and limiting conditions" set out in the report, without taking into account the mortgage, pledge, guarantee and other matters occurred or to be occurred; without considering the impacts of an additional price implicated by a special party or special method on the appraised value; without considering the

impacts of natural forces and other force majeure on asset value after the Valuation Date; without taking into account related aspects affecting its net value including associated expenses and taxation arising from the disposal of such assets; without considering the effect of the incremental value of the valuation on tax assessment.

The valuation conclusion in this valuation report becomes invalidated when there is a change in the aforesaid valuation purpose, valuation assumptions and limiting conditions and going concern assumption and open market assumption adopted in the valuation.

#### **(IV) Effectiveness of the Conclusion of the Valuation**

1. The conclusion of the valuation is made by the professional valuation personnel in accordance with the applicable provisions of the country and has legal effect under the requirements of the laws and regulations.
2. The valuation conclusion in this valuation report is an fair opinion on value expressed for the valuation purpose set out in the report based on the precondition that the existing usage of the assets associated with the appraised subject are unchanged, the going concern assumption and the external economic environment on the Valuation Date. Therefore, the valuation conclusion in this valuation report is valid only if the assets maintain the same existing usage, operate on a going concern basis and is still under the same or similar external economic environment as at the Valuation Date.

## **XII. NOTES ON SPECIAL MATTERS**

The special matters stated in this valuation report refer to the relevant matters that the asset valuers have found after the valuation conclusion have been determined, which may affect the valuation conclusion, but is beyond the competence of the asset valuers to make evaluation.

### **(I) Important use of expert work and related reports**

In this Valuation Report, the book value of each asset and liability on the base date is reported by the valuation target based on the amount of assets and liabilities adjusted and audited by Jonten Certified Public Accountants (LLP), which issued “Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited” (No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087) (《廣東耀達融資租賃有限公司清產核資專項審計報告》(編號：中天運(粵)[2020]普字第00087號)). This valuation was conducted on the basis of audit by using relevant information and data in the abovementioned audit report.

**(II) Incompletion and defect of ownership information**

No such matters.

**(III) Relevant circumstances of limited valuation procedures, remedial measures taken by valuation institution and their impact on valuation conclusions**

No such matters.

**(IV) Other key information that the Client has not provided**

There is no other key information or assessment data that the client has not provided and there is no incomplete valuation data in this valuation.

**(V) Legal, economic and other pending matters on the Valuation Date**

The report users are advised to note that there are legal disputes and other matters as of the Valuation Date after making inquiry on the National Enterprise Credit Information Publicity System by valuers but the impact of legal disputes on the asset prices has not been considered.

**(VI) Matters that may have an impact on the valuation conclusions for the period from the Valuation Date to the date of the Asset Valuation Report**

Since the management of the valuation target and the valuers are unable to accurately estimate the impacts of the outbreak of novel coronavirus, which occurred in the PRC and persists as at the Valuation Date and prior to the reporting date, on the operations and business of Guangdong Yaoda Financial Leasing Company Limited, the conclusions for this valuation is estimated only based on the possible impact as at the date of the Valuation Report. The valuation conclusions will be affected if the actual impacts caused by the outbreak are significant different from the estimated impacts in the Valuation Report.

**(VII) Matters such as guarantees, lease and their contingent liabilities (contingent assets)**

The valuation target had 7 short-term loans on the Valuation Date, totaling RMB80,548,280.03; 34 long-term loans, totaling RMB449,648,793.06, and there were credit transactions with a number of financial institutions. According to the National Enterprise Credit Information Publicity System, the valuation target had several movable property mortgage registrations; the valuation target does not declare any contingent liability or contingent asset. This valuation is on the premise that the valuation target has full rights to the valued assets without taking into account the impact on the appraised value caused by the other rights that may exist, including mortgages and guarantees.

**(VIII) The valuation target's implementation of the industry regulatory indicators formulated by the relevant state departments**

No such matters.

**(IX) Defects in the economic behavior relating to this asset valuation that may have a material effect on the valuation conclusion**

No such matters.

**(X) Other issues to be explained**

1. Our asset valuers conducted the necessary check and verification for the information and sources of legal ownership of the appraised subject and its related assets provided by the valuation target and the valuation depends to a large extent on the information provided by the Client and the valuation target. The Client and the valuation target shall be liable to any obligations in respect of the truthfulness, legality and completeness of the legal ownership information on the appraised subject provided.
2. As at 31 March 2020, the comparison between the financial position of Guangdong Yaoda Financial Leasing Company Limited reflected on the book and the audited one after Asset and Capital Verification is as follows:

Recognised in the parent company:

Item	Book value as at 31 March 2020 1	Audited amount after Asset and Capital Verification as at 31 March 2020 2	Increase or decrease (+) 3 = 2-1
Total assets	2,206,453,090.62	2,225,048,059.63	18,594,969.01
Total liabilities	1,669,205,604.63	1,683,694,391.33	14,488,786.7
Total owner's equity	537,247,485.99	541,353,668.30	4,106,182.31

On a consolidated basis:

Item	Book value as at	Audited amount after Asset and Capital Verification as	Increase or decrease (+) 3=2-1
	31 March 2020	at 31 March 2020	
	1	2	
Total assets	2,316,825,141.26	2,335,444,372.90	18,619,231.64
Total liabilities	1,722,511,525.81	1,738,927,998.67	16,416,472.86
Equity attributable to the owners of the parent company	540,073,937.77	543,418,750.67	3,344,812.90
Minority interests	54,239,677.68	53,097,623.56	-1,142,054.12
Total owner's equity	594,313,615.45	596,516,374.23	2,202,758.78

3. The valuation conclusion in this valuation report is the value of the Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited, and any part of Shareholders' Equity is not necessarily equal to the product of the value of the Total Shareholders' Equity and the shareholding percentage. Nether the premium or discount caused by factors such as controlling interests and minority interests nor the impact of liquidity on the equity value of the appraised subject has been taken into account in this valuation.
4. The entity involved in the long-term equity investment in this Valuation Report is Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司), as an investment target, whose contributed registered capital is RMB200 million. According to the National Enterprise Credit Information Publicity System, Guangdong Yaoda Financial Leasing Company Limited made a capital contribution of RMB80 million, representing 40% of the contributed registered capital. According to the "Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited" (No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087) issued by Jonten Certified Public Accountants (LLP), the actual paid-in registered capital of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) is RMB90 million as at the Valuation Date, among which, Guangdong Yaoda Financial Leasing Company Limited actually made a capital contribution of RMB40 million, representing 44.44% of the actual paid-in registered capital, while Guangdong Rongsheng Electrical Holdings Company Limited and Foshan Zhonggewei Electronic Co., Ltd. (佛山市中格威電子有限公司) actually made a capital contribution of RMB30 million and RMB20 million, respectively. As each shareholder of Guangdong Yaoda Commercial Factoring Co., Ltd. (廣東耀達商業保理有限公司) has not

completed the capital contribution, the appraised value of long-term equity investment for this valuation on the long-term equity investment was determined based on the appraised value of the equity in long-term equity investment attributable to the owners as at the Valuation Date calculated based on the actual capital contribution ratio, being 44.44% by Guangdong Yaoda Financial Leasing Company Limited.

5. After making inquiries with the National Enterprise Credit Information Publicity System, the valuers draw the attention of the users of this report that Guangdong Weiji Investment Co., Ltd.\* (廣東維基投資有限公司), Foshan Precise Opportunity Investment Co., Ltd.\* (佛山市精準機會投資有限公司), Foshan Qiche Yunshu Group Co., Ltd.\* (佛山市汽車運輸集團有限公司) and Foshan Huajie Investment Co., Ltd.\* (佛山市華傑投資有限公司) pledged their equity interests in Guangdong Yaoda Financial Leasing Company Limited to Foshan Public Utilities Holdings Co., Ltd. (佛山市公用事業控股有限公司).
6. The valuation conclusion did not take into account the impacts of an additional price implicated by a special method on the appraised value and the taxes arising from the increase or decrease in appraised value, and should not be regarded as a guarantee for the realizable value of the appraised subject.
7. During the valuation, the judgment on the status of equipment, due to limited testing methods and some equipment being in operation, mainly depends on the observation of their appearance by asset valuers, relevant technical information, operation records provided by the valuation target, and enquiries made to operators.
8. Unless otherwise stated, this valuation did not take into account the impact of the mortgage, pledge, guarantee and other matters relating to the valuation target or related assets on the appraised value, nor did it take into account the changes in national macroeconomic policies and impacts of natural forces and other force majeure on asset value.
9. For other defects of the valuation target which may have an impact on the appraised value of assets, the asset valuation institution and its valuers accept no related responsibility for such defects which are not specified and are not generally brought to the attention of the valuers despite their professional experiences when being engaged.

The analysis, judgments and conclusions of the valuation report issued by us are subject to the assumptions and constraints stated in this valuation report. The users of this valuation report should fully consider the assumptions, constraints, notes on special matters and their impacts on the valuation conclusions contained in this valuation report. Different data of assets and financial position indicators may cause changes to the appraised value, which is hereby brought to the attention of the users of this report.

### **XIII. STATEMENT OF LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT**

- (I) The valuation report is only prepared for the Client and other users of the report specified in Assets Valuation Engagement Contract for the purpose of this valuation and for submission to the competent assets valuation authority for review. Without consent from the valuation institution that issues the valuation report, the contents of the valuation report shall not be extracted, quoted or disclosed in the public media, save as otherwise required by the laws and regulations and agreed upon by parties;
- (II) Where the Client or other users of the Asset Valuation Report fail to use the Asset Valuation Report within the scope as set forth herein in accordance with the laws and administrative regulations, the asset valuation institution and its valuers shall take no responsibility;
- (III) Any other agencies and individuals, other than the Client, other users of the Asset Valuation Report as agreed in the Assets Valuation Engagement Contract, and the users of the Asset Valuation Report as stipulated by laws and administrative regulations, shall not be the users of the Asset Valuation Report;
- (IV) The users of the Asset Valuation Report shall have a correct understanding and usage of the valuation conclusion, which is not equivalent to the realizable price of the appraised subject and shall not be deemed as a guarantee for the realizable price of the appraised subject;
- (V) Relevant appendices to this valuation report constitute an integral part of and bear the same legal force as this Report;
- (VI) Validity of valuation conclusion: The valuation conclusion is valid for one year (i.e., the validity period is from 31 March 2020 to 30 March 2021 from the Valuation Date). Where there is change in the quantity and quality of the assets, the value of the assets shall be adjusted according to the original valuation method; where there is change in the pricing standard of the assets, which has material effect on the valuation conclusion, the Client shall timely engage valuation institution to conduct revaluation;
- (VII) When policy adjustment has material effect on the valuation conclusion, the Valuation Date shall be re-determined for valuation.

**XIV. DATE OF ASSET VALUATION REPORT**

The date of this valuation report is 1 June 2020, which is the date of forming the valuation professional opinion.

**XV. SIGNATURE OF ASSET VALUERS AND SEAL OF ASSET VALUATION INSTITUTION**

Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd (廣東京信房地產土地資產評估有限公司)

Legal representative: Yin Pengqiang (尹鵬強)

Asset valuer: Chen Jinwen (陳錦文)

Asset valuer: Ou Minxian (歐敏賢)

## APPENDICES TO THE VALUATION REPORT

1. Economic behavior document (copy);
2. Assets Valuation Engagement Contract (copy);
3. Letter of Undertaking from the Client (copy);
4. Summary Table of Valuation and Breakdown of Valuation;
5. “Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited” issued by Jonten Certified Public Accountants (LLP)(Report No.: Zhong Tian Yun (Yue) [2020] Pu Zi No. 00087) (《廣東耀達融資租賃有限公司清產核資專項審計報告》(報告文號：中天運(粵) [2020]普字第00087號));
6. Letter of Undertaking from the valuation target (copy);
7. Related Title Materials;
8. Letter of Undertaking from the Asset Valuers;
9. Business License of the Asset Valuation institution (copy);
10. Qualification certificate of the Asset Valuation institution (copy);
11. Qualification certificate of signing asset valuers (copy);

**(1) RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. 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.

**(2) SHARE CAPITAL**

The issued share capital of the Company as at the Latest Practicable Date is set out below:

	<b>Number of Shares</b>
<b>Number of Shares in issue</b>	
Domestic Shares	1,006,429,353
H Shares	<u>554,363,334</u>
Total:	<u><u>1,560,792,687</u></u>

**(3) DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION**

As at the Latest Practicable Date, the interests or short positions of Directors, supervisors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be

recorded in the register required to be kept under Section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, were as follows:

### Interest in Shares of the Company

Name of Shareholder	Position	Nature of Interest	Number and class of Shares <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of the Company <sup>(3)</sup>
Mr. Zhang Deben	Director	Beneficial owner	212,000 Domestic Shares (L)	0.02%	0.01%
Mr. Wu Liejin	Director	Beneficial owner	32,110,351 Domestic Shares (L)	3.19%	2.06%
Mr. Liang Yi	Supervisor	Beneficial owner	80,000 Domestic Shares (L)	0.01%	0.01%
Ms. Huang Yuzhen	Supervisor	Beneficial owner	50,000 Domestic Shares (L)	0.01%	0.01%

*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares;
- (2) As at the Latest Practicable Date, the number of issued Domestic Shares and H Shares of the Company were 1,006,429,353 and 554,363,334, respectively; and
- (3) As at the Latest Practicable Date, there were 1,560,792,687 Shares in the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors, or the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (b) to be recorded in the register required to be kept under Section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules.

### Interests in associated corporations

None of the Directors, supervisors, or the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of associated corporations (within the meaning of Part XV of the SFO) of the Company as at the Latest Practicable Date.

**(4) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at the Latest Practicable Date, the persons (not being the Directors, supervisors or the chief executive of the Company) or corporations having interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Shareholder	Nature of Interest	Number and class of Shares <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of the Company <sup>(3)</sup>
Lo Kai Bong <sup>(4)</sup>	Beneficial owner	30,368,000 H Shares (L)	5.48%	1.95%
	Interest of controlled corporation	39,596,000 H Shares (L)	7.14%	2.54%
Foshan Financial	Interest of controlled corporation <sup>(6)</sup>	164,164,000 H Shares (L)	29.61%	10.52%
	Beneficial owner	239,854,838 Domestic Shares (L)	23.83%	15.37%
	Interest of controlled corporation <sup>(5)</sup>	33,002,680 Domestic Shares (L)	3.28%	2.11%
Fojin HK <sup>(6)</sup>	Beneficial owner	164,164,000 H Shares (L)	29.61%	10.52%
Hong Kong Wellknown Development Limited (“ <b>Hong Kong Wellknown</b> ”) <sup>(7)</sup>	Beneficial owner	71,162,000 H Shares (L)	12.84%	4.56%
Dragon Pearl Hong Kong Investment Development Limited (“ <b>Dragon Pearl</b> ”) <sup>(8)</sup>	Beneficial owner	77,356,000 H Shares (L)	13.95%	4.96%
Wu Zhi Jian (“ <b>Mr. Wu</b> ”) <sup>(9)</sup>	Interest of controlled corporation	99,676,000 H Shares (L)	17.98%	6.39%
Li Shen Hua	Beneficial owner	35,000,000 H Shares (L)	6.31%	2.24%
	Beneficial owner	77,720,000 Domestic Shares (L)	7.72%	4.98%

Name of Shareholder	Nature of Interest	Number and class of Shares <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of the Company <sup>(3)</sup>
True Faith International Enterprise Limited (“ <b>True Faith International</b> ”) <sup>(10)</sup>	Beneficial owner	30,414,000 H Shares (L)	5.49%	1.95%
True Faith Holdings (Hong Kong) Limited (“ <b>True Faith HK</b> ”) <sup>(10)</sup>	Interest of controlled corporation	30,414,000 H Shares (L)	5.49%	1.95%
Real Faith Enterprise (Hong Kong) Company Limited (“ <b>Real Faith</b> ”) <sup>(10)</sup>	Interest of controlled corporation	30,414,000 H Shares (L)	5.49%	1.95%
Guangdong Zhaoxin Group Holdings Co. Ltd.* (廣東昭信集團股份有限公司) (“ <b>Guangdong Zhaoxin</b> ”) <sup>(10)</sup>	Interest of controlled corporation	30,414,000 H Shares (L)	5.49%	1.95%

*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares;
- (2) As at the Latest Practicable Date, the number of issued Domestic shares and the H Shares were 1,006,429,353 shares and 554,363,334 shares, respectively;
- (3) As at the Latest Practicable Date, there were 1,560,792,687 Shares in the issued share capital of the Company;
- (4) Based on the disclosure of interests form submitted by Mr. Lo Kai Bong on 20 April 2018, Better Linkage Limited, which has direct interest in 39,596,000 H Shares, is wholly-owned by Mr. Lo Kai Bong as at 18 April 2018. Mr. Lo Kai Bong is interested in 69,964,000 H Shares in aggregate;
- (5) Fuside is wholly owned by Foshan Financial. Foshan Financial is deemed to be interested in 33,002,680 Domestic Shares held by Fuside;
- (6) Foshan Financial holds 100% of Fojin HK and is deemed to be interested in 164,164,000 H Shares of the Company held by the latter;
- (7) Based on the disclosure of interests form submitted by Hong Kong Wellknown on 30 September 2020, Hong Kong Wellknown is wholly-owned by Dragon Pearl, which is in turn wholly-owned by Mr. Wu as at 29 September 2020;
- (8) Based on the disclosure of interests form submitted by Dragon Pearl on 30 September 2020, Dragon Pearl is wholly-owned by Mr. Wu as at 29 September 2020;

\* For identification purpose only

- (9) Based on the disclosure of interests form submitted by Mr. Wu on 30 September 2020, Mr. Wu is interested in 99,676,000 H Shares in aggregate through corporation(s) controlled by him as at 29 September 2020; and
- (10) Based on the disclosure of interests form submitted by Guangdong Zhaoxin on 31 May 2019, True Faith International is wholly-owned by True Faith HK, which is in turn wholly-owned by Real Faith, which is in turn wholly-owned by Guangdong Zhaoxin. Therefore, True Faith HK, Real Faith and Guangdong Zhaoxin are all deemed to be interested in the 30,414,000 H Shares held by True Faith International.

Save as disclosed above, as at the Latest Practicable Date, the Company is not aware of any other persons (not being the Directors, supervisors or the chief executive of the Company) or corporations having interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

#### **(5) DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or the supervisors of the Company had any existing or proposed service contract with any member of the Group, other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

#### **(6) MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

#### **(7) COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, supervisors and their respective close associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses to which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Group.

**(8) DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND CONTRACTS**

As at the Latest Practicable Date, none of the Directors or the supervisors of the Company had any direct or indirect interest in any assets which have been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or the supervisors of the Company was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

**(9) EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the experts who have given opinions or advices for inclusion in this circular:

<b>Name</b>	<b>Qualification</b>
Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd (廣東京信房地產土地資產評估有限公司) (“ <b>Guangdong Jingxin</b> ”)	Professional valuer
KPMG	Certified Public Accountants
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Guangdong Jingxin, KPMG and Gram Capital are referred to as the “Experts” hereinafter.

Guangdong Jingxin issued a Valuation Report dated 1 June 2020 in relation to the appraisal of the value of Guangdong Yaoda, the summary of which has been incorporated in this circular. Gram Capital issued a letter dated 8 October 2020 for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders. KPMG, the Company’s reporting accountants, issued a report dated 31 July 2020 regarding the discounted future cash flows in connection with the business valuation of Guangdong Yaoda.

As at the Latest Practicable Date, the above Experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of its letter(s), report(s), and/or opinion(s) (as the case may be) and the references to their name and logo included herein in the form and context in which they respectively appear.

The above Experts have confirmed that as at the Latest Practicable Date, they did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interests in any assets which have since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

#### **(10) DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong unless (i) a tropical cyclone warning signal number 8 or above is hoisted, or (ii) a black rainstorm warning signal is issued, from 9:00 a.m. to 5:00 p.m. on any weekday (except public holidays) for a period of 14 days from the date of this circular:

- (a) the Equity Transfer Agreements;
- (b) the letter from the Independent Board Committee as set out on pages 20 to 21 of this circular;
- (c) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders as set out on pages 22 to 33 of this circular;
- (d) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;
- (e) the Articles;
- (f) the Valuation Report;
- (g) the report from KPMG dated 31 July 2020 as set out on pages 34 to 36 of this circular; and
- (h) this circular.

**(11) MISCELLANEOUS**

- (a) The registered address of the Company is at Unit 2202–2212, 22/F, Chuangye Building, No. 215 Fenjiang Middle Road, Foshan, Guangdong, the PRC.
- (b) The principal place of business of the Company in the PRC is at Unit 2202–2212, 22/F, Chuangye Building, No. 215 Fenjiang Middle Road, Foshan, Guangdong, the PRC.
- (c) The principal place of business of the Company in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen’s Road East, Wanchai, Hong Kong.
- (d) The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (e) The joint company secretaries are Mr. Lau Kwok Yin (劉國賢) and Mr. Zheng Zhengqiang (鄭正強).
- (f) In the event of any inconsistencies, the English text of this circular and the proxy form shall prevail over the Chinese text.



**Join-Share 中盈盛达**

共创 共享 共成长

**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***

**廣東中盈盛達融資擔保投資股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1543)**

## **NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\* (the “**Company**”) will be held at Rose Room, 2/F, International Meeting Center, Building G, Sino-European Service Center, No. 2 South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC on Thursday, 29 October at 3:00 p.m., for the purpose of considering and, if thought fit, passing the following resolution. Capitalised terms defined in the announcement dated 7 September 2020 issued by the Company shall have the same meanings when used herein unless otherwise specified:

### **ORDINARY RESOLUTIONS**

1. **“THAT:**

- (a) the disposal of the Company’s Interest as stipulated in the equity transfer agreement to be entered into between the Company and FS Consortium, the terms and conditions thereof, and the transactions contemplated thereunder and the implementation thereof be and are hereby considered, approved and confirmed; and
- (b) the executive Director if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things, take all such steps and exercise all powers as he or she or they may in his or her or their absolute discretion consider to be necessary, desirable or expedient to give effect to and implement the disposal of the Company’s Interest and the equity transfer agreement between the Company and FS Consortium, and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of each of the Equity Transfer Agreements or the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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2. “THAT:

- (a) the disposal of JSF’s Interest as stipulated in the equity transfer agreement to be entered into between Join-Share Financial and Fojin HK, the terms and conditions thereof, and the transactions contemplated thereunder and the implementation thereof be and are hereby considered, approved and confirmed; and
- (b) the executive Director if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of Join-Share Financial, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things, take all such steps and exercise all powers as he or she or they may in his or her or their absolute discretion consider to be necessary, desirable or expedient to give effect to and implement the disposal of JSF’s Interest and the equity transfer agreement between Join-Share Financial and Fojin HK, and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of each of the equity transfer agreement between Join-Share Financial and Fojin HK or the transaction contemplated thereunder be and are hereby approved, confirmed and ratified.”

By order of the Board

**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***

**Wu Liejin**

*Chairman*

Foshan, the PRC, 8 October 2020

*Notes:*

1. In order to determine the shareholders’ eligibility to attend the EGM, the register of members of the Company will be closed from Friday, 23 October 2020 to Thursday, 29 October 2020, both days inclusive, during which no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Thursday, 29 October 2020 or their proxies or duly authorised corporate representatives are entitled to attend the EGM. In order to qualify for attending and voting at the EGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares), or the Company’s office in the PRC at 5/F, Building D, Sino-European Service Center, South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on Thursday, 22 October 2020.
2. A Shareholder entitled to attend and vote at the EGM may appoint one or more person (whether he/she is a Shareholder or not) to attend and vote at the same on his or her behalf.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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3. The instrument appointing a proxy must be in writing and signed by a Shareholder or his duly authorised attorney. If the Shareholder is a corporation, such instrument must be either under its common seal or duly signed by its legal representative, director(s) or duly authorised attorney(s).
4. Shareholders who intend to attend the EGM by proxy should complete the proxy form. For holders of H shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and for holders of domestic shares, the proxy form should be returned to the Company's office in the PRC at 5/F, Building D, Sino-European Service Center, South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC, in person or by post not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending the EGM or any adjournment thereof and voting in person.
5. Shareholders or their proxies shall provide their identity documents when attending the EGM.
6. The EGM is expected to last for less than half a day. Shareholders (in person or by proxy) attending this EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending this EGM shall present their identity certifications.
7. In case of joint holders of a share, any one of such holders is entitled to vote at the meeting either in person or by proxy for such share, as if he/she is the only one entitled to do so among the joint holders. However, only the vote of the person whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attend the meeting personally or by proxy.
8. The resolutions as set out above are required to be determined by way of poll under the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited.
9. The contact information of the Company is as follows:

Contact person: Mr. Zheng Zhengqiang/Ms. Song Mian

Contact Tel: (86) 186 8880 7052/(86) 139 2543 3921

*As of the date of this notice, the executive director of the Company is Mr. Wu Liejin (Chairman); the non-executive directors of the Company are Mr. Zhang Minming, Ms. Gu Lidan, Mr. Luo Zhenqing and Mr. Zhang Deben; and the independent non-executive directors of the Company are Mr. Wu Xiangneng, Mr. Leung Hon Man and Mr. Liu Heng.*

\* For identification purposes only