THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult 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).

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)

(1) CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CAPITAL INJECTION INTO GUANGDONG YAODA FINANCIAL LEASING COMPANY LIMITED*; AND (2) CHANGE IN USE OF PROCEEDS

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

Gram Capital Limited
嘉林資本有限公司

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 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 and 25 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 26 to 37 of this circular.

A notice convening the EGM to be held at 4:00 p.m., on Thursday, 6 June 2019 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 18 April 2019. A notice of the H Shareholders' Class Meeting to be held at 5:00 p.m., on Thursday, 6 June 2019 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 18 April 2019. A notice of the Domestic Shareholders' Class Meeting to be held at 4:30 p.m., on Thursday, 6 June 2019 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 18 April 2019. The reply slips and proxy forms for use at the EGM and the Class Meetings are also enclosed therein.

Whether or not you are able to attend the EGM and/or the Class Meetings, you are requested to complete the enclosed proxy forms 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 and Class Meetings or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and/or Class Meetings or any adjournment thereof should you so wish and in such event, the relevant form(s) of proxy shall be deemed to be revoked. Shareholders who intend to attend the meetings in person or by proxy should complete and return the reply slips in accordance with the instructions printed thereon on or before Friday, 17 May 2019.

* *For identification purpose only*

9 May 2019

CONTENTS

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

"2017 Circular"	the circular of the Company dated 30 September 2017
"2018 Interim Report"	the interim report of the Company for the six months ended 30 June 2018
"Announcements"	collectively, the announcements of the Company dated 22 February 2019, 15 March 2019, 8 April 2019 and 2 May 2019 respectively regarding, among others, the connected and discloseable transaction in relation to the Capital Injection and the proposed change in use of the Proceeds
"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
"Capital Injection"	injection of an aggregate amount of RMB112,572,500 (equivalent to HK$132,835,550) by the Group to Guangdong Yaoda, among which RMB92,500,000 (equivalent to HK$109,150,000) will be contributed to the registered capital of Guangdong Yaoda and the remaining RMB20,072,500 (equivalent to HK$23,685,550) will be contributed to the capital reserve (資本公積金) of Guangdong Yaoda
"Capital Injection Agreement"	the capital injection agreement in relation to the Capital Injection entered into among the Company, Join-Share Financial and Guangdong Yaoda on 22 February 2019
"Class Meetings"	collectively, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting
"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)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company

"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)
"Domestic Shareholders' Class Meeting"	the class meeting of the Domestic Shareholders 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, 6 June 2019 at 4:30 p.m. or any adjournment thereof
"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, 6 June 2019 at 4:00 p.m. or any adjournment thereof for the Shareholders to consider and, if thought fit, to approve the Capital Injection, the Capital Injection Agreement and change in use of the Proceeds
"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 and is a substantial shareholder of the Company
"Group"	the Company and its subsidiaries
"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
"Guangdong Yuecai"	Guangdong Yuecai Venture Investment Co., Ltd* (廣東粵財創業投資有限公司), an existing Shareholder which held 16,758,818 Domestic Shares as at the Latest Practicable Date
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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
"H Shareholder(s)"	registered holder(s) of H Share(s)

"H Shareholders' Class Meeting"	the class meeting of the H Shareholders 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, 6 June 2019 at 5:00 p.m. or any adjournment thereof
"Hong Kong"	the 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 Capital Injection
"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 SFO 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 Capital Injection
"Independent Shareholder(s)"	shareholders other than Shareholders who have material interest in the Capital Injection
"Investor Subscription"	has the meaning as ascribed to it in the 2017 Circular
"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 and which is a direct wholly-owned subsidiary of the Company
"Latest Practicable Date"	6 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Placing"	has the meaning as ascribed to it in the 2017 Circular
"PRC"	the People's Republic of China
"Proceeds"	the net proceeds from the Investor Subscription and/or the Placing
"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
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Report"	the valuation report issued by the Valuer dated 16 February 2019
"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)
"%"	percent

For the purpose of this circular and for illustrative purpose only, conversion of RMB into HK$ is based on the approximate exchange rate of RMB1: HK$1.18.

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.*

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. Huang Guoshen
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

9 May 2019

To Shareholders

Dear Sir or Madam,

(1) CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CAPITAL INJECTION INTO GUANGDONG YAODA FINANCIAL LEASING COMPANY LIMITED*; AND (2) CHANGE IN USE OF PROCEEDS

INTRODUCTION

Reference is made to the Announcements. As disclosed in the Announcements, on 22 February 2019 (after trading hours), the Company, Join-Share Financial and Guangdong Yaoda entered into the Capital Injection Agreement pursuant to which the Group has conditionally agreed to make the Capital Injection of RMB112,572,500 (equivalent to HK$132,835,550) into Guangdong Yaoda, among which RMB92,500,000 (equivalent to HK$109,150,000) will be contributed to the registered capital of Guangdong Yaoda, and the remaining RMB20,072,500 (equivalent to HK$23,685,550) will be contributed to the capital reserve of Guangdong Yaoda. Immediately upon completion of the Capital

* *for identification purposes only*

Injection and capital contribution by two other existing shareholders of Guangdong Yaoda (including but not limited to Foshan Financial), Guangdong Yaoda will be owned as to 21.76% by the Group.

Reference is also made to (a) the announcements of the Company dated 15 May 2017, 25 May 2017, 29 June 2017, 18 July 2017, 26 July 2017, 28 September 2017, 29 December 2017, 27 March 2018, 28 March 2018, 29 March 2018 and 18 April 2018 (collectively, the "**2017–2018 Announcements**") respectively, (b) the 2017 Circular and (c) paragraph headed "Management Discussion and Analysis — Proceeds from the Listing, proceeds from issue of investors subscription shares, management subscription shares and placement of new H shares — (II) Proceeds from investor subscription shares, management subscription shares and placing of new H shares" in the 2018 Interim Report in relation to, among other things, the Investor Subscription and the Placing. As disclosed in the Announcements, the Board has resolved to change the intended use of Proceeds to fund the payment for the Capital Injection, development of other financial-related services business and/or potential investment in company(ies) principally engaged in financing guarantee business.

The purpose of this circular is to provide you with, among other things, (i) information on the Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders and the advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder; (iii) other information as is required to be contained in this circular under the Listing Rules; and (iv) information regarding the change in use of unutilised proceeds from the Investor Subscription and the Placing.

THE CAPITAL INJECTION AGREEMENT

The principal terms of the Capital Injection Agreement are set out as follows:

Date

22 February 2019

Parties

(1) the Company;

(2) Join-Share Financial, a direct wholly-owned subsidiary of the Company; and

(3) Guangdong Yaoda.

As at the Latest Practicable Date, Guangdong Yaoda is a connected person of the Company. For details, please refer to the paragraph headed "Listing Rules Implications" below.

Capital Injection

As at the Latest Practicable Date, the registered capital of Guangdong Yaoda is RMB300,000,000. Guangdong Yaoda intends to raise its capital by RMB125,000,000 to RMB425,000,000, among which RMB92,500,000 (equivalent to HK$109,150,000) shall be contributed by the Group pursuant to the Capital Injection Agreement, while the rest shall be contributed by two other existing shareholders of Guangdong Yaoda, including but not limited to, Foshan Financial, under separate arrangements with Guangdong Yaoda. For details, please refer to the paragraph headed "Information of Guangdong Yaoda" below.

Conditions precedent to the Capital Injection

The Capital Injection is conditional upon the fulfillment of all of the following conditions (or other conditions as agreed in writing by the parties):

(a) each of the Company, Join-Share Financial and Guangdong Yaoda having obtained all the necessary internal approvals and/or authorisation in relation to the Capital Injection Agreement and the Capital Injection (including those from the respective board of directors and/or shareholders);

(b) Guangdong Yaoda having obtained a confirmation from each of the shareholders of Guangdong Yaoda which did not participate in the capital injection into Guangdong Yaoda confirming that they have agreed to give up such rights this time;

(c) each of the Company, Join-Share Financial and Guangdong Yaoda having obtained all necessary approvals and/or filings from the relevant authorities (if required) and such which approvals and/or filings have not been revoked;

(d) there are no applicable laws or orders or prohibitions from any governmental or judicial bodies prohibiting or materially affecting the fulfilment of the Capital Injection Agreement; and

(e) all the representations and warranties provided by the parties under the Capital Injection Agreement remaining true, complete and accurate in all material respects as at the date of the Capital Injection Agreement, and shall remain true, complete and accurate, unless such representations and warranties explicitly contain an ending date.

After the fulfilment of the conditions precedent to the Capital Injection, the Company and Join-Share Financial shall make the Capital Injection by depositing RMB74,541,250 (equivalent to HK$87,958,675) and RMB38,031,250 (equivalent to HK$44,876,875), respectively, into a designated bank account of Guangdong Yaoda within 20 business days from the day of fulfilment of the conditions precedent. The Capital Injection shall be funded by the proceeds as mentioned in the paragraph headed "Change in Use of Proceeds" below.

As of the Latest Practicable Date, all conditions precedent had been fulfilled except for condition (a).

The amount of the Capital Injection was arrived at after arm's length negotiations between the parties and with reference to (1) the valuation of all assets and liabilities of Guangdong Yaoda as appraised by Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd, an independent asset valuer, in the Valuation Report and (2) a special audit report on asset and capital verification on Guangdong Yaoda issued by an independent reporting accountants (which is annexed to the Valuation Report). According to the Valuation Report, the valuation date is 31 October 2018. The valuation was conducted by way of the asset-based approach and income approach. After a comprehensive analysis of the assessments, the income approach was selected as the basis for valuation. Under the income approach, the book net asset value of Guangdong Yaoda was approximately RMB353,745,300 while the appraised value of all equity interests of the shareholders of Guangdong Yaoda (the "**Appraised Equity Interests**") was approximately RMB365,128,600, representing an appreciation ratio of 3.22%. The amount of the Capital Injection represents the Appraised Equity Interests as divided by the existing registered capital of Guangdong Yaoda (i.e. RMB300,000,000), and times the registered capital of Guangdong Yaoda that the Group intends to subscribe for (i.e. RMB92,500,000).

Upon completion of the Capital Injection and capital contribution by other existing shareholders of Guangdong Yaoda (including but not limited to Foshan Financial), the registered capital of Guangdong Yaoda will be increased from RMB300,000,000 to RMB425,000,000. Guangdong Yaoda will then be owned as to 14.41% and 7.35% by the Company and Join-Share Financial, respectively.

Shareholders' rights

Only the existing shareholders of Guangdong Yaoda before the Capital Injection are entitled to dividend based on the distributable profits of Guangdong Yaoda as at 31 December 2018. The Company and Join-Share Financial are not entitled to such dividend. Other than this, the Company and Join-Share Financial shall enjoy all other rights and benefits as shareholders of Guangdong Yaoda based on the registered capital of Guangdong Yaoda they subscribe and such registered capital does not carry any transfer restrictions.

Pre-emptive rights

After the completion of the Capital Injection, in case of any further increase in registered capital by Guangdong Yaoda in the future, the Company and Join-Share Financial shall, same as other shareholders of Guangdong Yaoda, have pre-emptive right to subscribe for the additional registered capital of Guangdong Yaoda under the same conditions. Any new shareholders of Guangdong Yaoda under such further increase are not entitled to shareholders' rights more favourable than those enjoyed by the Company and Join-Share Financial, unless as agreed in writing by the Company and/or Join-Share Financial, or such more favourable rights are equally granted to the Company and Join-Share Financial.

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) Guangdong Yaoda is in the process of carrying out the transaction, and the valuer values the terms and conditions of the transaction based on fair principal in the simulation market;

(2) the status of all parties to the transaction are the same, and all parties have adequate opportunities and time to obtain market information in order to reasonably assess the functions, usage and consideration of the assets;

(3) the valued assets are being, and will continue to be, used. No change of usage of assets or the best usage conditions have been taken into account; and

(4) Guangdong Yaoda is operating on a going concern basis based on the existing assets and resources, and is capable of operating legally and take up its responsibilities.

Special assumptions

(1) All audited financial reports, projected data and all other valuation information of Guangdong Yaoda are true, complete, legal and valid;

(2) Guangdong Yaoda complies with all relevant laws and regulations of the PRC and is operating legally;

(3) the management of Guangdong Yaoda has been complying with its obligations and managing Guangdong Yaoda effectively. There will be no material changes in the operation and management personnel of Guangdong Yaoda;

(4) there will be 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 cash flow forecast of Guangdong Yaoda will be realised in each forecast period;

(8) in performing the profit forecast in the future in accordance with the regulations governing the financing lease industry, the shareholders of Guangdong Yaoda shall keep the leverage ratio of a financing lease company within 10 times as much as the net assets, in which case, the profit may be distributed to the maximum extent if the leverage ratio of Guangdong Yaoda satisfies certain regulatory requirements (being less than 10 times) in the future. Where the expected leverage ratio fails to meet the regulatory requirements, distribution of profit will not proceed and be retained by Guangdong Yaoda for increasing the net assets;

(9) assuming that the project is evenly invested with its project period aligned with those of previous projects, investment funds for the project is utilised on a timely basis, in which case, no significant amount of malicious defaults take place as the default rate of investment projects fall within a reasonable range;

(10) the mode of operation, financing structure and trend of development of Guangdong Yaoda as at the valuation date is the basis of the valuation. There will be no material changes in the mode of operation, financing channels and other conditions of Guangdong Yaoda, and that Guangdong Yaoda will be able obtain financing in a timely manner;

(11) Guangdong Yaoda improves its profitability by rationalising improvement and restructuring of its identifiable assets, and amounts receivable and payable can be received or paid within a reasonable timeframe without affecting its business operation;

(12) the accounting policies used for the preparation of the Valuation Report are consistent in all material respects with those adopted by Guangdong Yaoda in previous years;

(13) the Valuation Report was prepared based on the financial estimates provided by the management of Guangdong Yaoda, assuming such financial estimates will be realised in each year in the future, and will be consistent with the operational and financial conditions of Guangdong Yaoda in the future;

(14) assuming that the profit as estimated continues to remain stable, which is also known as a going concern, the profit forecast on a going concern basis equals the adjustable value of revenue for the final 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.

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 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 22 February 2019 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

Guangdong Yaoda is a limited liability company incorporated in the PRC with a registered capital of RMB300,000,000. Guangdong Yaoda is principally engaged in the business of finance lease and other leasing business.

Set out below is a summary of the net profit of Guangdong Yaoda for the two years ended 2017 and 2018:

	Year ended 31 December 2017 *(audited)*	**Year ended 31 December 2018** *(audited)*
Profit before tax	RMB40,120,768.8	RMB53,591,253.4
Profit after tax	RMB30,040,905.7	RMB40,137,918.2
Net asset value	RMB333,126,380.0	RMB385,264,298.2

To the best of the Directors' knowledge and believe having made all reasonable enquiries, Guangdong Yaoda would like to raise its capital from RMB300,000,000 to RMB425,000,000 as the business of finance leasing and other leasing business requires a large amount of capital to operate. Therefore, sufficient capital is required to support

Guangdong Yaoda's daily operation of its principal business. The business of Guangdong Yaoda has been growing steadily in the Pearl River Delta region. The existing amount of capital of Guangdong Yaoda is no longer sufficient to cope with its expanding business.

Further, there have been recent PRC governmental policies and plans in relation to development of production business of advanced equipment in the western Pearl River region, which are believed to benefit the development of finance lease business. Therefore, Guangdong Yaoda plans to raise its capital in order to better prepare for any potential business opportunities in future.

The shareholding structure of Guangdong Yaoda before the Capital Injection is as follow:

Shareholders	**Shareholdings**	**Capital contribution**
Foshan Financial	30%	RMB90,000,000
Fuguan Group (Hong Kong, China) Co., Ltd* ((中國香港)福冠集團有限公司)	25%	RMB75,000,000
Guangdong Weiji Investment Co., Ltd.* (廣東維基投資有限公司)	20%	RMB60,000,000
Foshan Automobile Transportation Group Co., Ltd.* (佛山市汽車運輸集團有限公司) ("**Foshan Transport**")	14%	RMB42,000,000
Foshan Precise Opportunity Investment Co., Ltd.* (佛山市精准機合投資有限公司)	6%	RMB18,000,000
Foshan Huajie Investment Co., Ltd* (佛山市華傑投資有限公司)	5%	RMB15,000,000
Total	**100%**	**RMB300,000,000**

The existing shareholders of Guangdong Yaoda have the pre-emptive right to subscribe for the additional registered capital of Guangdong Yaoda under the same conditions pursuant to the articles of association of Guangdong Yaoda. Guangdong Yaoda intends to raise its capital by RMB125,000,000, among which RMB92,500,000, RMB15,000,000 and RMB17,500,000 will be contributed by the Group, Foshan Financial and Foshan Transport, respectively. Each of the remaining four shareholders of Guangdong Yaoda (the "**Non-participating Yaoda Shareholders**") has signed a confirmation confirming that they have decided to give up their pre-emptive rights to participate in the capital injection.

To the best of the Directors' knowledge and believe having made all reasonable enquiries, Guangdong Yaoda has discussed with the Non-participating Yaoda Shareholders regarding its intention to raise its capital. The Board is of the view that the decision of the Non-participating Yaoda Shareholders for not participating in the capital injection this time is likely due to their lack of funds and/or the fact that the investment into Guangdong Yaoda is not directly relevant and/or beneficial to their own principal businesses. The

Company's legal advisers as to the PRC laws are of the view that the giving up of such rights by the Non-participating Yaoda Shareholders this time does not contravene the articles of association of Guangdong Yaoda.

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.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

Reference is made to (a) the 2017–2018 Announcements, (b) the 2017 Circular and (c) the paragraph headed "Management Discussion and Analysis — Proceeds from the Listing, proceeds from issue of investors subscription shares, management subscription shares and placement of new H shares — (II) Proceeds from investor subscription shares, management subscription shares and placing of new H shares" in the 2018 Interim Report in relation to, among other things, the Investor Subscription and the Placing.

As disclosed in the 2017 Circular, 60% of the net proceeds from the Investor Subscription will be used for pursuing acquisition opportunities in order to expand the Group's service mix and further consolidate the market position of the Group in the Guangdong Province or Pearl River Delta region. Pursuant to this expansion plan, the Group has been targeting enterprises in Guangdong Province or Pearl River Delta region which engage(s) in the business of providing financial-related services such as finance lease. As Guangdong Yaoda is principally engaged in finance lease and other leasing businesses in Guangdong Province, the Capital Injection falls within the Group's expansion plan as disclosed in the 2017 Circular.

The Directors note that according to the Valuation Report, there is a slowing growth within the finance lease industry as shown from the declining average growth rate of the operating revenue of three comparable companies, whose principal business is finance lease, in the past few years. Yet, the Directors are of the view such downward trend mainly happens to private finance lease enterprises, while the development of state-owned enterprises or companies with state-owned enterprises as shareholders are comparatively more optimistic. Through cooperation and communication with banks, financial institutions and other finance lease companies from time to time, our Directors are aware of the fact that state-owned finance lease enterprises or finance lease companies with state-owned enterprises as shareholders usually have advantages over private finance lease enterprises due to two main reasons. Firstly, under the current economic environment and policies in the PRC, bank credit provided to state-owned finance lease enterprises are greater than that provided to private finance lease enterprises. It is comparatively more difficult for private finance lease enterprises which do not have government support to obtain bank credit to increase its source of funds. Secondly, state-owned finance lease enterprises usually have the advantage in business development by accessing large-scale businesses or projects and using government resources as compared to private finance lease enterprises. Guangdong Yaoda is currently owned by some state-owned enterprises, and thus Guangdong Yaoda is likely to have advantages in terms of financing channels and business sources as compared to other private finance lease companies. Further, to the best of the Directors' knowledge, in the past three years, the financial indicators of Guangdong Yaoda had been positive and its business, revenue and profits had also been rising steadily with good risk management and adequate reserves for projects. The Directors believe that it is beneficial for the Group to invest into Guangdong Yaoda to develop finance lease as one of the Group's business lines as Guangdong Yaoda is currently the most suitable investment target for the Group in the Pearl River Delta region.

Taking into account the above as well as the appraised value of Guangdong Yaoda, the Directors, including the independent non-executive Directors (whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular), are of the view that the Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and consider that the terms of the Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Guangdong Yaoda is owned as to 30% by Foshan Financial. Foshan Financial is a substantial shareholder of the Company and hence a connected person 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. Therefore, the Capital Injection contemplated under the Capital Injection Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is 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 Capital Injection contemplated under the Capital Injection Agreement exceeds 5% but is less than 25%, the Capital Injection contemplated under the Capital Injection Agreement constitutes a discloseable transaction 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 Capital Injection, the Capital Injection Agreement 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 Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder and hence no Director is required under the Listing

Rules to abstain from voting on the resolutions approving the Capital Injection, the Capital Injection Agreement 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 Hongkong Limited (佛金香港有限公司) ("**Fojin HK**") and 33,002,680 Domestic Share through Foshan Fuside Infrastructure Investment Co., Ltd*. (佛山市富思德基礎設施投資有限公司) ("**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 Capital Injection contemplated under the Capital Injection Agreement at the EGM.

CHANGE IN USE OF PROCEEDS

Reference is made to the 2017–2018 Announcements, the 2017 Circular and the 2018 Interim Report.

The Board has resolved to change the intended use of the Proceeds from the Investor Subscription and the Placing. Breakdown of the allocation of the Proceeds as stated in the 2017 Circular, the change in the use of the remaining balance and reasons for change are summarised below:

Fund raising activities	Net proceeds raised	Intended use of Proceeds as stated in the 2017 Circular	Actual use of Proceeds as of the Latest Practicable Date	Remaining amount of the Proceeds as of the Latest Practicable Date	Change of use of the Proceeds (if applicable) and reasons
Issue of the Investor Subscription Shares (comprising 74,364,000 H Shares and 223,096,020 Domestic Shares) under Specific Mandate	RMB375.5 million (equivalent to approximately HK$443.1 million)	Approximately 60% will be used for pursuing acquisition and merger opportunities when suitable target becomes available, in order to expand the Group's service mix and further consolidate the market position of the Group in Guangdong Province or Pearl River Delta region.	Approximately RMB45 million and RMB90 million have been used for capital contribution of establishment of Shenzhen Join-Share Commercial Factoring Co., Ltd.* (深圳市中盈盛達商業保理有限公司) and capital contribution of establishment of Shenzhen Join-Share Construction Guarantee Co., Ltd.* (深圳市中盈盛達工程擔保有限公司), which was held as to 90% by the Company.	Approximately RMB90.3 million (equivalent to HK$106.6 million), which will be used for the Capital Injection as explained the paragraph headed "Reasons for and benefits of the Capital Injection" above.	—

Fund raising activities	Net proceeds raised	Intended use of Proceeds as stated in the 2017 Circular	Actual use of Proceeds as of the Latest Practicable Date	Remaining amount of the Proceeds as of the Latest Practicable Date	Change of use of the Proceeds (if applicable) and reasons
		Approximately 20% will be used for establishing a subsidiary for providing comprehensive internet financial and internet micro-lending services.	Nil	Approximately RMB75.1 million (equivalent to approximately HK$88.6 million)	Since the issuance of a notification to suspend the establishment of internet micro-lending companies (《關於立即暫停批設網絡小額貸款公司的通知》整治辦函(2017)138號) by the PRC government in 2017, no approval has been granted by the PRC regulatory bodies for the establishment of internet micro-lending companies. As at the Latest Practicable Date, there has been no change in such policy and therefore, the Board decides not to proceed with the establishment of a subsidiary to provide internet financial and lending services. In order to better utilise the Proceeds, such portion of the Proceeds will be used for capital injection into Guangdong Yaoda and/or development of other financial-related services business that comply with the relevant regulations and policies.

Fund raising activities	Net proceeds raised	Intended use of Proceeds as stated in the 2017 Circular	Actual use of Proceeds as of the Latest Practicable Date	Remaining amount of the Proceeds as of the Latest Practicable Date	Change of use of the Proceeds (if applicable) and reasons
		Approximately 20% will be used for further developing and strengthening the Group's existing business by way of increasing the Group's contribution to the registered capital of Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd* (中山中盈盛達科技融資擔保有限公司), a subsidiary of the Company engaging in financing guarantee, non-financing guarantee and consulting services.	Nil	Approximately RMB75.1 million (equivalent to approximately HK$88.6 million)	As the Board considers that the current registered capital of the Zhongshan subsidiary is sufficient for its operation and business development needs, taking into account the current market condition in Zhongshan, the Board therefore decides not to further contribute to the registered capital of the Zhongshan subsidiary. In order to better utilise the Proceeds, such portion of the Proceeds will be used for capital injection into Guangdong Yaoda and/or the development of other financial-related service business that comply with the relevant regulations and policies.
Placing of 186,666,000 H Shares under Specific Mandate	Approximately HK$262.4 million	Approximately 30% will be used for funding a potential investment (through capital contribution or acquisition of existing equity interest) in a company established in Foshan, the PRC, which is principally engaged in providing financial and related consultancy services through its service platform to the SMEs operating along the value chain in the ceramic industry of the PRC.	Nil	Approximately HK$78.7 million	As the Board considers that it is not feasible to identify a potential target for investment within a short period of time, in order to better utilise the Proceeds, such portion of the Proceeds will be used for funding potential investment (through capital contribution or acquisition of existing equity interest) in company(ies) principally engaged in financing guarantee business.

Fund raising activities	Net proceeds raised	Intended use of Proceeds as stated in the 2017 Circular	Actual use of Proceeds as of the Latest Practicable Date	Remaining amount of the Proceeds as of the Latest Practicable Date	Change of use of the Proceeds (if applicable) and reasons
		Approximately 35% will be used for funding the geographical expansion of the Group's financing guarantee business to Guangzhou city of Guangdong Province, which is planned to be achieved through establishing a new subsidiary or (if desirable) acquiring an equity interest in an entity which is providing financing guarantee services in that district.	Nil	Approximately HK$91.8 million	—
		Approximately 25% will be used for increasing the registered capital of Foshan Micro Credit, a subsidiary of the Company engaging in SME lending business, which would allow the Group to expand the lending portfolio and capture further business opportunity under this segment in light of the recent increase in the demand for SME loans granted by the Group.	Nil	Approximately HK$65.6 million	As there has been capital support from banks and other financial institutions for SME lending businesses in the PRC, it is not necessary to use the Proceeds to contribute to Foshan Micro Credit anymore. In order to better utilise the Proceeds, such portion of the Proceeds will be used for the funding potential investment (through capital contribution or acquisition of existing equity interest) in Company(ies) principally engaged in financing guarantee business.

Fund raising activities	Net proceeds raised	Intended use of Proceeds as stated in the 2017 Circular	Actual use of Proceeds as of the Latest Practicable Date	Remaining amount of the Proceeds as of the Latest Practicable Date	Change of use of the Proceeds (if applicable) and reasons
		Approximately 10% will be used for general working capital purposes, of which approximately 6% will be used for the renovation of existing office premises of the Group and the setting up of new offices by the Group in Foshan to enhance its business network in the city and approximately 4% will be used for purchasing office equipment including computers and for upgrading the computer software.	All had been used for the intended use.	Nil	—

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Apart from the reasons for the change in use of the Proceeds as set out in the paragraph headed "Change in use of Proceeds" above, the Board considers that it is more beneficial for the Group to better ultilise the remaining of the Proceeds to invest into Guangdong Yaoda as such investment opportunity has come while there are no other suitable investment targets in other business lines at the moment, as well as to strengthen its financial guarantee business as its main business sector. Since April 2018, the Company has been seeking other investment opportunities in different sectors in various cities in the PRC by conducting investment researches, site visits, due diligence and costs and risks assessments. Taking into account various factors such as the relevant governmental policies, timing, investment price, high cost for cross-region management, as at the Latest Practicable Date, no suitable investment targets had been identified by the Company other than Guangdong Yaoda.

Further, due to the certain PRC policies or the market conditions as explained above, the Board considers that it is not the right time for the Company to make investment into internet financial and lending services and its subsidiary which engages in non-financing guarantee and consulting services. Therefore, the Board concluded that a change in the use of Proceeds is necessary for the benefit of the Group at this point of time, taking into account the applicable policies and market condition.

Yet, finance lease is just one of the business line that the Company intends to develop and it is not the Company's plan to solely focus on the development of financial guarantee or finance lease business. As disclosed in the 2018 annual report of the Company, the Company has been promoting innovative integration. The Company has taken tremendous efforts to develop the supply chain finance sector by establishing strategic collaboration with comprehensive health and medical treatment, import and export trades, and other platforms. These initiatives have achieved initial encouraging results. The Company has been searching for and will continue to explore suitable investment targets in other business lines with an aim to expand and enhance its service mix as mentioned in the 2017 Circular.

The Board confirms that there is no material change in the business as set out in the 2017 Circular and considers that the above change in the use of Proceeds is in the best interest of the Company and its Shareholders as a whole. Whether or not Shareholders' approval can be obtained for the change in the use of Proceeds will not affect the completion of the Capital Injection.

The original intended use of Proceeds was approved, together with other matters, by the then Shareholders on the EGM, Domestic Shareholders Class Meeting and H Shareholders Class Meeting, respectively, all held on 17 November 2017. The proposed changes of use of Proceeds are therefore subject to the approval by the Shareholders in the EGM and the respective class meetings to be convened in a timely manner.

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 proposed change of use of Proceeds. Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any material interest in the proposed change of use of Proceeds and hence no Director is required under the Listing Rules to abstain from voting on the resolutions approving the proposed change of use of Proceeds at the meeting of the Board.

Foshan Financial and its associates (including Fuside and Fojin HK) shall abstain from voting at the special resolution considering and approving the change in use of the Proceeds at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting. As at the Latest Practicable Date, Guangdong Yuecai held 16,758,818 Domestic Shares. Therefore, Guangdong Yuecai (which controls or is entitled to exercise over the voting rights in respect of its Shares held) and its associates shall abstain from voting at the special resolution considering and approving the change in use of the Proceeds at the EGM and the Domestic Shareholders' Class Meeting.

EGM AND CLASS MEETINGS

The Company proposes to convene the EGM and the Class Meetings on Thursday, 6 June 2019 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, a notice convening the H Shareholders' Class Meeting and a notice convening the Domestic Shareholders' Class Meeting were despatched to the Shareholders on 18 April 2019.

If you intend to appoint a proxy to attend the EGM and the H Shareholders' Class Meeting, you are required to complete and return the accompanying proxy forms in accordance with the instructions printed thereon. The proxy forms 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 and the H Shareholders' Class Meeting or any adjourned meeting thereof. For Domestic Shareholder, if you intend to appoint a proxy to attend the Domestic Shareholders' Class Meeting, you are required to complete and return the accompanying proxy forms in accordance with the instructions printed thereon. The proxy forms 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 Domestic Shareholders' Class Meeting or any adjourned meeting thereof.

Completion and return of the proxy forms will not preclude you from attending and voting in person at the EGM, the H Shareholders' Class Meeting or the Domestic Shareholders' Class Meeting 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, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting 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 Tuesday, 7 May 2019 to Thursday, 6 June 2019, 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, 6 June 2019 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 Monday. 6 May 2019.

In order to determine the shareholders' eligibility to attend the H Shareholders' Class Meeting, the register of members of H Shares of the Company will be closed from Tuesday, 7 May 2019 to Thursday, 6 June 2019, both days inclusive, during which no transfer of shares will be registered. Only H Shareholders of the Company whose names appear on the register of members of H Shares of the Company on Thursday, 6 June 2019 or their proxies or duly authorised corporate representatives are entitled to attend the H Shareholders' Class Meeting. In order to qualify for attending and voting at the H Shareholders' Class Meeting, 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 not later than 4:30 p.m. on Monday. 6 May 2019.

In order to determine the shareholders' eligibility to attend the Domestic Shareholders' Class Meeting, the register of members of Domestic Shares of the Company will be closed from Tuesday, 7 May 2019 to Thursday, 6 June 2019, both days inclusive, during which no transfer of shares will be registered. Only Domestic Shareholders of the Company whose names appear on the register of members of Domestic Shares of the Company on Thursday, 6 June 2019 or their proxies or duly authorised corporate representatives are entitled to attend the Domestic Shareholders' Class Meeting. In order to qualify for attending and voting at the Domestic Shareholders' Class Meeting, all properly completed transfer documents accompanied with relevant share certificates must be lodged with 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 not later than 4:30 p.m. on Monday. 6 May 2019.

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 Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder after taking into account the advice from Gram Capital.

The Company has appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder, and whether the entering into of the Capital Injection Agreement is in the ordinary and usual course of business of the Group and the terms thereof are normal commercial terms, and whether the entering into of the Capital Injection Agreement 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 24 to 25 of this circular which contains its recommendation to the Independent Shareholders in respect of the Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder; and (ii) the letter from Gram Capital set out on pages 26 to 37 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Capital Injection, the Capital Injection Agreement 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 Capital Injection, the entering into of the Capital Injection Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, the terms of the Capital Injection Agreement are normal commercial terms and fair and reasonable, and the entering into of the Capital Injection

Agreement 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 Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder.

The Board believes that the proposal for the change in use of unutilised proceeds from the Investor Subscription and the Placing is in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the special resolution to be proposed at the EGM and the Class Meetings in relation to the change in use of unutilised proceeds from the Investor Subscription and the Placing.

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

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)

9 May 2019

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CAPITAL INJECTION INTO GUANGDONG YAODA FINANCIAL LEASING COMPANY LIMITED*

We refer to the circular dated 9 May 2019 (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 Capital Injection, the Capital Injection Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, the Capital Injection, the entering into of the Capital Injection Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the terms thereof are normal commercial terms and fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and the Capital Injection, the entering into of the Capital Injection Agreement 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 Capital Injection, the entering into of the Capital Injection Agreement and the transactions contemplated thereunder, and whether the Capital Injection, the entering into of the Capital Injection Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the terms thereof are normal commercial terms, and whether the Capital Injection, the entering into of the Capital Injection Agreement 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 purpose only*

We wish to draw your attention to the letter from the Board set out on pages 5 to 23 of the Circular which contains, among others, information on the Capital Injection, the entering into of the Capital Injection Agreement and the transactions contemplated thereunder as well as the letter from Gram Capital set out on pages 26 to 37 of the Circular which contains its advice in respect of the Capital Injection, the entering into of the Capital Injection Agreement and the transactions contemplated thereunder.

Having taken into account the advice of Gram Capital, we consider that the Capital Injection, the entering into of the Capital Injection Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, the terms of the Capital Injection, the entering into of the Capital Injection Agreement 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 Capital Injection, the entering into of the Capital Injection Agreement 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 Capital Injection, the entering into of the Capital Injection Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of the
Independent Board Committee

Wu Xiangneng
Independent non-executive Director

Leung Hon Man
Independent non-executive Director

Liu Heng
Independent non-executive Director

* *For identification purpose only*

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 Capital Injection for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

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

9 May 2019

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

Dear Sir/Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CAPITAL INJECTION INTO GUANGDONG YAODA FINANCIAL LEASING COMPANY LIMITED*

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company (the "**Independent Shareholders**") in respect of the Capital Injection, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 9 May 2019 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 22 February 2019 (after trading hours), the Company, Join-Share Financial and Guangdong Yaoda entered into the Capital Injection Agreement pursuant to which the Group has conditionally agreed to make the Capital Injection of RMB112,572,500 (equivalent to HK$132,835,550) into Guangdong Yaoda, among which RMB92,500,000 (equivalent to HK$109,150,000) will be contributed to the registered capital of Guangdong Yaoda, and the remaining RMB20,072,500 (equivalent to HK$23,685,550) will be contributed to the capital reserve of Guangdong Yaoda. Immediately upon completion of the Capital Injection and capital contribution by two other existing shareholders of Guangdong Yaoda (including but not limited to Foshan Financial) (the "**Other Capital Contribution**"), Guangdong Yaoda will be owned as to 21.76% by the Group. As advised by the Directors, two other existing shareholders of Guangdong Yaoda will make capital contribution at the price of the Capital Injection and the aggregated amount of the Capital Injection and the Other Capital Contribution will be RMB152,125,000.

Upon completion of the Capital Injection and capital contribution by other existing shareholders of Guangdong Yaoda (including but not limited to Foshan Financial), the registered capital of Guangdong Yaoda will be increased from RMB300,000,000 to RMB425,000,000. Guangdong Yaoda will then be owned as to 14.41% and 7.35% by the Company and Join-Share Financial, respectively.

With reference to the Board Letter, the Capital Injection contemplated under the Capital Injection Agreement constitutes a discloseable and connected transaction 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 Capital Injection Agreement and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Capital Injection are 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 resolution to approve the Capital Injection Agreement and the transactions contemplated thereunder 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, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in the circular dated 30 September 2017 in respect of a connected transaction involving issue of management subscription shares to connected persons under specific mandate. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests 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 agreements/arrangements or implied understanding with anyone concerning the Capital Injection. 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.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Guangdong Yaoda or its subsidiaries, and we have not been furnished with any such evaluation or appraisal, save as and except for the Valuation Report on Guangdong Yaoda as prepared by Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd (the "**Valuer**"), the summary of which is set out in Appendix III to the Circular. 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 all equity interests of the shareholders of Guangdong Yaoda.

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, 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 Capital Injection. 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Capital Injection, 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 three years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2017 and annual report for the year ended 31 December 2018 (the "**2018 Annual Report**"):

	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2016
	RMB'000	*RMB'000*	*RMB'000*
Revenue	275,025	264,238	253,008
— Net guarantee fee income	*164,340*	*137,912*	*128,860*
— Net interest income	*78,235*	*86,403*	*88,699*
— Service fee from consulting services	*32,450*	*39,923*	*35,449*
Profit for the year	144,337	123,204	143,901

As depicted from the above table, the Group's revenue for the year ended 31 December 2017 ("**FY2017**") increased by approximately 4.44% as compared to that for the year ended 31 December 2016 ("**FY2016**"). Despite the aforesaid increase in the Group's revenue, the Group's profit for FY2017 decreased by approximately 14.38% as compared to FY2016, mainly as a result of decrease in other revenue and increase in operating expenses.

As also depicted from the above table, the Group's revenue for the year ended 31 December 2018 ("**FY2018**") increased by approximately 4.08% as compared to that for FY2017. The Group's profit for FY2018 increased by approximately 17.15% as compared to that for FY2017, mainly as a result of increase in other revenue.

With reference to the 2018 Annual Report, the Company will continue to support SMEs and accelerate its strategic arrangements for the industry chain. By focusing on and seizing the development opportunities in Great Bay Area, the Company aims at cooperating with core enterprises to establish a strategic partnership platform for industrial integration, while upgrading and promoting its supply chain finance and industrial finance cooperation model.

Information on Join-Share Financial

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

Information on Guangdong Yaoda

Guangdong Yaoda is a limited liability company incorporated in the PRC with a registered capital of RMB300,000,000. Guangdong Yaoda is principally engaged in the business of finance lease and other leasing business.

With reference to the Board Letter, financial information of Guangdong Yaoda for the two years ended 31 December 2018 is set out below:

	Year ended 31 December 2017 *(audited)*	**Year ended 31 December 2018** *(audited)*
Profit before tax	RMB40,120,768.8	RMB53,591,253.4
Profit after tax	RMB30,040,905.7	RMB40,137,918.2

As depicted from the above table, Guangdong Yaoda's profit after tax increased significantly from FY2017 to FY2018. As advised by the Directors, such increase was mainly due to the growth of Guangdong Yaoda's business which was reflected by the increase in capital deployed in two of Guangdong Yaoda's major businesses, namely, sales and lease back business and commercial factoring business. We also obtained financial statements of Guangdong Yaoda for the two years ended 31 December 2018 and noticed an increase of approximately 32% in Guangdong Yaoda's operating revenue from FY2017 to FY2018.

Reasons for and benefits of the Capital Injection

With reference to the Board Letter, as disclosed in the 2017 Circular, 60% of the net proceeds from the Investor Subscription will be used for pursuing acquisition opportunities in order to expand the Group's service mix and further consolidate the market position of the Group in the Guangdong Province or Pearl River Delta region. Pursuant to the Group's expansion plan, the Group has been targeting enterprises in Guangdong Province or Pearl River Delta region which engage(s) in the business of providing financial-related services such as finance lease. As Guangdong Yaoda is principally engaged in finance lease and other leasing businesses in Guangdong Province, the Capital Injection falls within the Group's expansion plan as disclosed in the 2017 Circular.

We researched over the internet to understand the prospects of the financial leasing industry in the PRC and found 《中國融資租賃業發展報告(2016–2017)》 (Report on the development of China's finance leasing industry (2016–2017)*) (the "**2016-2017 Report**") jointly issued by the Department of Circulation Industry Development of Ministry of Commerce of the PRC and China International Electronic Commerce Center in August 2017. According to the 2016-2017 Report, as at the end of 2016, (i) the number of registered finance leasing companies reached 6,158, which represented a substantial increase of 70.3% as compared to the number recorded as at the end of 2015; (ii) the aggregate registered capital and the amount of total assets of all the finance leasing companies reached RMB1,922.37 billion and RMB2,153.83 billion respectively, which represented increases of 31.3% and 32.4% respectively as compared to those as at the end of 2015; and (iii) the operating income and total profit of the finance lease industry in the PRC achieved RMB153.59 billion and RMB26.77 billion, which represented increases of 35% and 25.4% respectively as compared to those as at the end of 2015.

We also found 《2017年中國融資租賃業發展報告》 (2017 Report on the development of China's finance leasing industry*) (the "**2017 Report**") as published on the website of 中國租賃聯盟 (China Leasing Alliance*) in February 2018. According to the website of 中國租賃聯盟 (China Leasing Alliance*), it is an information exchange platform for members (including enterprises and organizations of the China leasing industry) of the alliance. According to the 2017 Report, at the end of 2017, (i) there were 9,090 finance leasing companies; and (ii) the amount of registered capital of the China finance leasing industry was approximately RMB3.2 trillion. The 2017 Report also stated that the outstanding contract sum of China finance leasing at the end of 2017 was approximately RMB6.1 trillion, representing an increase of approximately 13.7% as compared to that at the end of 2016.

In addition, we noticed from an article dated 2 February 2019 on the website of the government of Nansha, Guangzhou, the PRC, that according to 《2018年中國融資租賃業發展報告》 (2018 Report on the development of China's finance leasing industry*) the outstanding contract sum of China finance leasing at the end of 2018 was approximately RMB6.7 trillion, representing an increase of approximately 9.38% as compared to that at the end of 2017.

The above statistics are the latest available public information that we could find.

Despite that the data compiled by the China Rental Union, 聯合租賃研發中心 (the Joint Leasing Research and Development Center*) and 前瞻產業研究院 (the Forward Industries Research Institute*) as contained in the Valuation Report demonstrated that the market size of the finance leasing industry experienced a slowing growth pace, with a single-digit growth reported in 2018, the statistics above still indicated growth and general positive outlook of finance leasing industry in the PRC.

Having considered that (i) the Capital Injection is in-line with the Group's development strategy; (ii) the improved profitability of Guangdong Yaoda from FY2017 to FY2018; and (iii) the growth and general positive outlook of finance leasing industry in the PRC, we concur with the Directors that the Capital Injection is in the interests of the Company and its Shareholders as a whole.

Principal terms of the Capital Injection Agreement

Summarised below are the major terms for the Capital Injection Agreement, details of which are set out under the section headed "The Capital Injection Agreement" of the Board Letter.

Date:

22 February 2019

Parties:

(i) the Company

(ii) Join-Share Financial, a directly wholly-owned subsidiary of the Company

(iii) Guangdong Yaoda

Capital Injection

With reference to the Board Letter, the registered capital of Guangdong Yaoda is RMB300,000,000. Guangdong Yaoda intends to raise its capital by RMB125,000,000 to RMB425,000,000, among which RMB92,500,000 (equivalent to HK$109,150,000) shall be contributed by the Group pursuant to the Capital Injection Agreement, while the rest shall be contributed by two other existing shareholders of Guangdong Yaoda, including but not limited to, Foshan Financial, under separate arrangements with Guangdong Yaoda.

Pursuant to the Capital Injection Agreement, the Group has conditionally agreed to make the Capital Injection of RMB112,572,500 (equivalent to HK$132,835,550) into Guangdong Yaoda, among which RMB92,500,000 (equivalent to HK$109,150,000) will be contributed to the registered capital of Guangdong Yaoda, and the remaining RMB20,072,500 (equivalent to HK$23,685,550) will be contributed to the capital reserve of Guangdong Yaoda.

With reference to the Board Letter, the amount of the Capital Injection was arrived at after arm's length negotiations between the parties and with reference to (1) the valuation of all assets and liabilities of Guangdong Yaoda as appraised by the Valuer; and (2) a special audit report on asset and capital verification on Guangdong Yaoda issued by an independent reporting accountants (which is annexed to the Valuation Report). According to the Valuation Report, the valuation date is 31 October 2018 and the income approach was selected as the basis for valuation. Under the income approach, the book net asset value of Guangdong Yaoda was approximately RMB353,745,300 while the appraised value of all equity interests of the shareholders of Guangdong Yaoda was approximately RMB365,128,600.

The Appraised Equity Interests

To assess the fairness and reasonableness of the Consideration, we obtained the Valuation Report prepared by the Valuer and noted that the appraised value of all equity interests of the shareholders of Guangdong Yaoda as at 31 October 2018 was approximately RMB365,128,600 under the income approach.

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, Join-Share Financial and Guangdong Yaoda.

The Valuation Report was prepared by the Valuer by way of the asset-based approach and income approach. 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 embody the comprehensive profitability of the assets and the growth potential of the valuation target, and it cannot cover the value of intangible assets such as contract performance, customer resources, goodwill and human resources. Besides, the Valuer considered that they could not obtain sufficient comparable transactions in the PRC open market for the purpose of adopting market approach in the Valuation Report. For the purpose of the Valuation Report, income approach was considered to more comprehensively and reasonably reflect the intrinsic value of the valuation target. Therefore the income approach was selected as the basis for valuation.

We noticed that the appraised value of all equity interests of the shareholders of Guangdong Yaoda as at 31 October 2018 was approximately RMB362,126,900 under the asset-based approach in the Valuation Report (the "**Asset-based Approach Results**"). The Asset-based Approach Results only represents a slight discount of less than 1% to the Appraised Equity Interests. 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 impracticable for the purpose of the Valuation Report as mentioned above, we did not consider other approaches to assess the Appraised Equity Interests.

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.

With reference to the Valuation Report, the forecast of future financial data of Guangdong Yaoda is mainly based on its business performance (i.e. historical financial data) from 2016 to October 2018. We also noted that the Valuer might adopt historical financial data of Guangdong Yaoda under different time frame for the forecast of different future financial data. We understood from the Valuer that historical financial data of Guangdong Yaoda under different time frame could form more reliable bases for different major data forecast, detailed explanations of which are set out under Appendix III to the Circular.

For example, (i) operating revenue growth rate was determined with reference to average growth rates of comparable enterprises' ("**Revenue Comparables**") operating revenue from 2015 to 2017, the outlook of the finance lease industry in the PRC and historical growth rate of Guangdong Yaoda's revenue for the ten months ended 31 October 2018 as Guangdong Yaoda was established on 6 November 2015 and the revenue growth rate in 2016 and 2017 were exceptionally high; (ii) operating cost was based on the ratios of operating cost to operating revenue in 2017 and 2018 as Guangdong Yaoda was in the "start-up" stage in 2016 and its operating revenue was relatively low which distorted the ratios of operating cost to operating revenue; and (iii) administrative expense was based on the administrative expense in 2017 as the administrative expense in 2016 included "start-up" expense and the employee year-end bonus in 2018 was not included in the financial figures for the 10 months ended 31 October 2018.

We noticed that the operating revenue of the Revenue Comparables decreased in 2017. Nevertheless, it is justifiable to apply growth rate for Guangdong Yaoda's operating revenue from 2019 to 2023 as (i) there was growth in the PRC finance leasing industry as demonstrated by the statistics under the Valuation Report; (ii) there was growth in Guangdong Yaoda's operating revenue for the ten months ended 31 October 2018 as compared to the corresponding period in 2017; (iii) the growth rate adopted for 2019 and 2020 was relatively conservative as compared to the historical growth rate of Guangdong Yaoda's revenue for the ten months ended 31 October 2018 and the average growth rates of the Revenue Comparables' operating revenue from 2015 to 2017; and (iv) the growth rates adopted for 2021 to 2023 were reducing.

In determining the discount rate, the Valuer also make reference to comparable companies (the "**Beta Comparables**") to derive the beta coefficient. We noticed that the Beta Comparables adopted are different from the Revenue Comparables. As explained by the Valuer, the reasons for such difference are: (i) The Beta Comparables adopted were large-scale finance lease companies listed on the main board of Shenzhen/Shanghai Stock Exchange (growth in enterprise scale and market capitalization are at the forefront of the industry). Therefore, statistical results may be distorted if the Beta Comparables were adopted for determining the operating revenue growth rate. (ii) The

Revenue Comparables cannot be adopted for deriving the beta coefficient as they are not listed on the main board of Shenzhen/Shanghai Stock Exchange. We consider the above reasons to be justifiable.

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.

Set out below is our quantitative assessment on the amount of the Capital Injection:

Items	**RMB**
Appraised Equity Interests as at 31 October 2018	365,128,600
Aggregated amount of Capital Injection and Other Capital Contribution	152,125,000
Sum of Appraised Equity Interests, Capital Injection and Other Capital Contribution	517,253,600
21.76% of the sum of Appraised Equity Interests, Capital Injection and Other Capital Contribution	112,578,725
Capital Injection	112,572,500

As illustrated in the above table, the Capital Injection is slightly lower than 21.76% of the sum of Appraised Equity Interests, Capital Injection and Other Capital Contribution. Besides, based on the Appraised Equity Interests of RMB365,128,600 as at 31 October 2018 and the existing registered capital of Guangdong Yaoda, the appraised value per RMB1 registered capital of Guangdong Yaoda is approximately RMB1.217, which is the same with the "price" per RMB1 registered capital increase in Guangdong Yaoda based on the Capital Injection of RMB112,572,500, among which RMB92,500,000 will be contributed to the registered capital of Guangdong Yaoda.

Having considered the above and our independent work performed on the Valuation Report, we are of the view that the amount of Capital Injection is fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders' rights and pre-emptive rights

Only the existing shareholders of Guangdong Yaoda before the Capital Injection are entitled to dividend based on the distributable profits of Guangdong Yaoda as at 31 December 2018. The Company and Join-Share Financial are not entitled to such dividend. Other than this, the Company and Join-Share Financial shall enjoy all other rights and benefits as shareholders of Guangdong Yaoda based on the registered capital of Guangdong Yaoda they subscribe and such registered capital does not carry any transfer restrictions.

After the completion of the Capital Injection, in case of any further increase in registered capital by Guangdong Yaoda in the future, the Company and Join-Share Financial shall, same as other shareholders of Guangdong Yaoda, have pre-emptive right to subscribe for the additional registered capital of Guangdong Yaoda under the same conditions. Any new shareholders of Guangdong Yaoda under such further increase are not entitled to shareholders' rights more favourable than those enjoyed by the Company and Join-Share Financial, unless as agreed in writing by the Company and/or Join-Share Financial, or such more favourable rights are equally granted to the Company and Join-Share Financial.

We consider that the above provisions can protect the Company's investment in Guangdong Yaoda to a certain extent.

Taking into account the principal terms of the Capital Injection Agreement, we consider that the terms of the Capital Injection Agreement 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 Capital Injection

Based on the 2018 Interim Report, the unaudited consolidated net asset value ("**NAV**") of the Group was approximately RMB2.29 billion as at 30 June 2018. The Directors expect that the Capital Injection would not have material impact on the NAV of the Group.

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.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Capital Injection Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Capital Injection is conducted in the ordinary and usual course of business of the Group and 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 to be proposed at the EGM to approve the Capital Injection Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

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

* *For identification purpose only*

The following is the reproduction of text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF GUANGDONG YAODA FINANCIAL LEASING COMPANY LIMITED

TO THE BOARD OF DIRECTORS OF GUANGDONG JOIN-SHARE FINANCING GUARANTEE INVESTMENT CO., LTD

We refer to the discounted future cash flows on which the business valuation (the "**Valuation**") dated 16 February 2019 prepared by Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd in respect of the appraisal of the fair value of Guangdong Yaoda Financial Leasing Company Limited (the "**Target Company**") as at 31 October 2018 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 (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 the Guangdong Yaoda Financial Leasing Company Limited 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 relate 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.

KPMG
Certified Public Accountants
Hong Kong

22 February 2019

22 February 2019

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	:	Connected and Discloseable Transaction in relation to the Capital Injection into Guangdong Yaoda Financial Leasing Company Limited* and Change in use of Proceeds
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 22 February 2019 (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 16 February 2019 issued by the Valuer regarding the valuation of all assets and liabilities of Guangdong Yaoda as at 31 October 2018 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*

The following is the summary of the Valuation Report prepared for the purpose of incorporation in this circular received from the Valuer. Terms defined in the annexes hereto applies to this appendix only.

The English version of this document is for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

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

Guang Jing Ping Zi No. JX[2019]CAN020014

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

16 February 2019

CONTENTS

STATEMENT OF ASSET VALUER

1. During the process of this asset valuation engagement, we complied with relevant laws, regulations and asset valuation guidelines, and abided by the principle of independence, objectivity and impartiality; according to the information we collected during the course of valuation, the contents stated in the valuation report are objective and we bear the corresponding legal responsibility for the reasonableness of the valuation conclusions.

2. The list of assets and liabilities associated with the valuation target shall be reported by the client and the valuation target and are confirmed by them affixing their seal or signature; It is the responsibilities of the Client and the parties involved to provide required information and ensure the authenticity, legality and completeness of the information provided, and properly use the valuation report and its conclusions.

3. We do not have any existing or potential interests in the valuation target 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.

4. We have conducted on-site investigations of the valuation target and its assets as referred to in the valuation report; we have given necessary attention to and checked as necessary the status of the legal titles with respect to the valuation target 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.

5. The analysis, judgments and conclusions of the valuation report are subject to the assumptions and constraints stated in this valuation report; we believe that the assumptions set out in this valuation report are reasonable on the Valuation Date. In the event that substantial changes occur to the economic environment in the future, we shall not be responsible for different valuation conclusions derived due to changes in assumptions. The valuation report users should fully consider the assumptions, constraints, notes on special matters and their impacts on the valuation conclusions contained in this valuation report.

6. The valuation conclusions of the valuation report, subject to the valuation assumptions and constraints hereof, provides a reference for the value of the valuation target, which are proposed for the purpose of this valuation set out in this valuation report, on the Valuation Date. The valuation report users shall use the valuation report and its conclusions reasonably according to the conditions of the assets and market changes after the Valuation Date. The valuation conclusion shall not be regarded as a guarantee for any achievable price of the valuation target. The consequences of any improper use shall not be attributed to the asset valuer signing off this report and its agency.

7. We and our agency have the professional qualification and relevant professional valuation experience required to engage in this valuation engagement. This valuation has not referred to the work results of other organisation or experts except those references already disclosed in the valuation report.

Summary of Asset Valuation Report

In respect of Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited involved in Proposed Capital Injection by Guangdong Join-Share Financing Guarantee Investment Co., Ltd.

Guang Jing Ping Zi No. JX[2019]CAN020014

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

Engaged by the Company, Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd evaluated the market value of Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited as of 31 October 2018, which is involved in the proposed capital injection of the Company, using the asset-based approach (cost method) and the income approach in accordance with relevant laws, regulations, asset valuation standards and asset valuation principles, and in accordance with the required valuation procedures. The asset valuation is currently summarized as follows:

I. PURPOSE OF VALUATION

According to the Resolution of the First Meeting of the Second Board of Directors of Guangdong Yaoda Financial Leasing Company Limited, the proposal for the capital injection of Guangdong Yaoda Financial Leasing Company Limited has been approved, pursuant to which, Guangdong Yaoda Financial Leasing Company Limited will increase its registered capital to RMB425 million (of which Foshan Financial Investment Holdings Co., Ltd. subscribes for 15,000,000 shares with its shareholding ratio changed to 24.71% after capital injection; Foshan Automobile Transportation Group Co., Ltd. subscribe for 17,500,000 shares with its shareholding ratio changed to 14% after the capital injection; and Guangdong Join-Share Financing Guarantee Investment Co., Ltd. subscribes for 92,500,000 shares with its shareholding ratio changed to 21.76% after the capital injection).

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 capital injection of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.

II. VALUATION TARGET AND VALUATION SCOPE

The valuation target 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 OF VALUE

This valuation uses market value as the type of value in the valuation conclusion of this valuation report.

IV. VALUATION DATE

The Valuation Date is 31 October 2018, and all the pricing standards are the effective one on the Valuation Date.

V. VALUATION METHOD

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

VI. CONCLUSION OF VALUATION

(I) Conclusion of the valuation and analysis

As at 31 October 2018 (the Valuation Date), the audited book value of the total assets of the valuation target was RMB1,700,745,600, the book value of the total liabilities was RMB1,347,000,300, and the book value of the net assets was RMB353,745,300. The asset-based approach (cost method) and the income approach are employed for this valuation.

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

The appraised value of the total assets is RMB1,709,124,200, and the appraised value of the total liabilities is RMB1,347,000,300, and **the appraised value of the Total Shareholders' Equity is RMB362,123,900 (i.e. RMB Three Hundred Sixty-Two Million One Hundred Twenty-Three Thousand Nine Hundred), with the incremental value of RMB8,378,600 or 2.37%.**

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

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

Unit: RMB ten thousand

	Item	Book Value A	Appraised value B	Increase or Decrease C = B-A	Incremental rate % D = C/A × 100%
1	Current assets	124,622.23	125,343.52	721.29	0.58%
2	Non-current assets	45,452.33	45,568.90	116.57	0.26%
3	Of which: Available-for-sale financial assets	—	—	—	—
4	Held-to-maturity investments	—	—	—	—
5	Long-term receivables	45,020.95	45,490.14	469.19	1.04%
6	Long-term capital injection	—	—	—	—
7	Investment properties	—	—	—	—
8	Fixed assets	47.02	47.20	0.18	0.38%
9	Construction in progress	—	—	—	—
10	Construction materials	—	—	—	—
11	Disposal of fixed assets	—	—	—	—

Item		Book Value A	Appraised value B	Increase or Decrease C = B-A	Incremental rate % D = C/A × 100%
12	Productive biological assets	—	—	—	—
13	Oil and gas assets	—	—	—	—
14	Intangible assets	0.36	0.36	—	—
15	R&D expenses	—	—	—	—
16	Goodwill	—	—	—	—
17	Long-term deferred expenses	31.20	31.20	—	—
18	Deferred income tax assets	352.79	—	–352.79	–100.00%
19	Other non-current assets	—	—	—	—
20	**Total assets**	170,074.56	170,912.42	837.86	0.49%
21	Current liabilities	98,117.13	98,117.13	—	—
22	Non-current liabilities	36,582.90	36,582.90	—	—
23	**Total Liabilities**	134,700.03	134,700.03	—	—
24	**Net assets (owner's equity)**	35,374.53	36,212.39	837.86	2.37%

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

(1) Analysis on the reason for the increase in accounts receivable: after all receivables are verified to be accurate, the appraised value is determined based on each recoverable amount of the accounts receivable. This valuation evaluated the value of accounts receivable according to the actual bad debts of accounts receivable. As allowance is provided for bad debts of each of the accounts receivable in the audit report, there is an increase in value.

(2) Analysis on the reason for an increase in assets due within one year: The lease payment due within one year is the rents receivable for the finance lease projects currently being performed by the valuation target. The valuer has checked the relevant finance lease contracts and the original accounting documents, and verified the authenticity and accuracy of the accounting contents relating to long-term receivables to determine the appraised value on the basis of the verified long-term receivables within one year. This valuation evaluates the value of non-current assets due within one year based on the actual bad debts of non-current assets due within one year. As allowance is provided for bad debts of each non-current asset due within one year in the audit report, so there is an increase in value.

(3) Analysis on the reason for the increase in long-term receivables: The long-term receivables falling into the scope of valuation is the rental receivable for the finance lease project currently being performed by the valuation target. The valuer has checked the relevant finance lease contracts and the original accounting documents, and verified the authenticity and accuracy of the accounting contents relating to the long-term receivables. The estimated risk of loss is assessed using methods identified case by case for long-term receivables. The estimated risk of loss is determined with the aforesaid criteria and then the appraised value is determined by deducting the estimated risk of loss from the long-term receivables. As allowance is provided for bad debt of each long-term receivable in the audit report, there is an increase in value.

(4) Analysis on the reason for the increase in fixed assets: after re-evaluation, the cost method is employed for the replacement cost of fixed assets such as machinery and equipment, 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, and the insignificant change in their replacement cost.

(5) 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, so there is a decrease in value.

(6) Analysis on the reason for the decrease in deferred income tax assets: deferred income tax assets are generated from impairment allowance for assets, which is assessed to be zero in this valuation, so there is a decrease in value.

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 RMB365,128,600 (in words, RMB Three Hundred Sixty-Five Million One Hundred Twenty-Eight Thousand Six Hundred), with an incremental value of the appraised value over the book value of net assets of RMB11,383,300 or 3.22%.

Total Shareholders' Equity Valuation Table

Unit: RMB ten thousand

Item	Amount
7. Present Value of Free Cash Flow	36,512.86
Add: Non-operating assets	0
Add: Surplus assets	0
Add: Value of long-term capital injection	0
Add: Value of held-to-maturity investment	0
Add: Deferred income tax assets	0
Less: Non-operating assets and liabilities, net	0
Less: Deferred income	0
8. Total Shareholders' Equity	36,512.86

(III) Explanation on the Selection of Valuation Results

The difference in the valuation conclusion between the asset-based approach and the income approach is RMB3,004,700, and the difference rate is 0.83%. 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 valuation target's assets, and cannot fully and reasonably embody the comprehensive profitability of each asset and the growth potential of the valuation target, and cannot cover the value of intangible assets such as contract performance, customer resources, goodwill, and human resources.

The income approach is to evaluate the value of the valuation target 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 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 and considering the valuation target in connection with the asset, 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 valuation target 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 using the income approach is RMB365,128,600 (in words, RMB Three Hundred Sixty-Five Million One Hundred Twenty-Eight Thousand Six Hundred), with an incremental value of the appraised value over the book value of net assets of RMB11,383,300, or 3.22%.**

VII. NOTES ON SPECIAL MATTERS

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

(I) According to the statement of the valuation target, Guangdong Yaoda Financial Leasing Company Limited, it is satisfied that there is no defective title in the assets involved in the valuation.

(II) As at 31 October 2018, 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 compared as follows:

Item	Book value as at 31 October 2018 1	Audited amount after Asset and Capital Verification as at 31 October 2018 2	Increase or decrease (±) 3=2–1
Total value of assets	1,687,671,491.89	1,700,745,624.24	13,074,132.35
Total liabilities	1,335,367,079.86	1,347,000,273.50	11,633,193.64
Total owner's equity	352,304,412.03	353,745,350.74	1,440,938.71

(III) According to the statement of the valuation target, Guangdong Yaoda Financial Leasing Company Limited, it is satisfied that there is no uncertain factor such as outstanding matter, contingent matter and legal disputes relating to the assets and liabilities involved in the valuation.

(IV) This valuation report does not take into account the impact on the value of the valuation target caused by the possible premium or discount due to having or lacking control.

(V) The valuation does not take into account the impact on the valuation results caused by the tax adjustment due to the increase or decrease in asset valuation.

(VI) Mortgage and guarantees: The valuation target had 29 short-term loans on the Valuation Date, totalling RMB321,201,945.38; 35 long-term loans, totalling RMB365,656,285.13; 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.

(VII) The conclusion of this valuation report can only be used by the client for the above valuation purpose. It is the responsibility of the valuers to express their professional opinions on the value of the assets for the purpose of this valuation. The valuation report issued by the valuers and their valuation agency does not represent any judgment over the economic behavior associated with the purpose of valuation.

(VIII) The historical financial data and future forecast data used in this valuation are all based on the data provided by the valuation target. The asset valuers make their professional judgment on the basis of due diligence. The rationality of the professional judgment made by the valuers and their valuation agency will have a certain impact on the valuation results.

(IX) According to the statement of the valuation target Guangdong Yaoda Financial Leasing Company Limited, it is satisfied that no material subsequent matters are required to be disclosed after the Valuation Date and before the issue of the valuation report.

(X) Different data of assets and financial position indicators may cause changes to the appraised value, which is hereby brought to the attention of the report users.

VIII. VALUATION REPORT DATE

The report date of this valuation report is 16 February 2019.

The users of this valuation report should pay attention to the impact of special matters on the valuation conclusion when applying this valuation conclusion. The valuation conclusion is valid for one year (i.e., the validity period is from 31 October 2018 to 30 October 2019 from the Valuation Date). It is necessary to hire an intermediary to re-evaluate the subject of valuation when one year expires.

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

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

Guang Jing Ping Zi No. JX[2019]CAN020014

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

Engaged by the Company, Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd evaluated the market value of Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited as of 31 October 2018, which is involved in the proposed capital injection of Guangdong Join-Share Financing Guarantee Investment Co., Ltd., using the asset-based approach (cost method) and the income approach in accordance with relevant laws, regulations, asset valuation standards and asset valuation principles, and in accordance with the required valuation procedures. We report the details of the asset valuation as follows:

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

(I) Particulars of the client

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

1. Basic Profile of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.:

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, 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

1. 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:	RMB300 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 don't 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), Fuguan Group (Hong Kong, China) Co., Ltd. ((中國香港)福冠集團有限公司), Guangdong Weiji Investment Co., Ltd.(廣東維基投資有限公司), Foshan Automobile Transportation 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. (佛山市精准機合投資有限公司) 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 ratio	Book Value
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
2	Fuguan Group (Hong Kong, China) Co., Ltd. ((中國香港)福冠集團有限公司)	April 2016	25.00%	75,000,000.00
3	Foshan Precise Opportunity Investment Co., Ltd. (佛山市精準機合投資有限公司)	April 2016	6.00%	18,000,000.00
4	Guangdong Weiji Investment Co., Ltd. (廣東維基投資有限公司)	2015	20.00%	60,000,000.00
5	Foshan Automobile Transportation Group Co., Ltd. (佛山市汽車運輸集團有限公司)	2015	14.00%	42,000,000.00
6	Foshan Huajie Investment Co., Ltd. (佛山市華傑投資有限公司)	2015	5.00%	15,000,000.00
	Total		100.00%	300,000,000.00

On 27 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 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 ratio	Book Value
1	Fuguan Group (Hong Kong, China) Co., Ltd. ((中國香港)福冠集團有限公司)	April 2016	25.00%	75,000,000.00
2	Foshan Precise Opportunity Investment Co., Ltd. (佛山市精準機合投資有限公司)	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 Automobile Transportation 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		100.00%	300,000,000.00

The contribution amount was confirmed by BDO Shu Lun Pan Certified Public Accountants (LLP) on 31 January 2019, in the Asset and Capital Verification Report coded Xin Kuai Shi Bao Zi No. ZC30001 [2019].

The financial position and operating results in the recent years are summarized in the table below.

Unit: RMB

Item	31 December 2015	31 December 2016	31 December 2017	31 October 2018
Total asset	116,987,947.30	688,235,931.34	1,225,495,764.40	1,700,745,624.24
Liabilities	36,412.40	375,139,513.46	892,369,384.36	1,347,000,273.50
Net assets	116,951,534.90	313,096,417.88	333,126,380.04	353,745,350.74
Item	Year 2015	Year 2016	Year 2017	31 October, 2018
Operating revenue	0	31,376,154.79	90,881,585.97	100,455,950.91
Operating profit	–48,465.10	17,558,016.29	40,127,168.78	49,622,165.56
Net profit	–48,465.10	13,144,882.98	30,040,905.66	37,178,031.99

The financial position and operating results of 2015 and 2016 were confirmed by BDO Shu Lun Pan Certified Public Accountants (LLP) in its audit report (Xin Kuai Shi Bao Zi No. ZC30033 [2017]). The financial position and operating results of 2017 were confirmed by Jonten Certified Public Accountants (LLP) in its audit report (Zhong Tian Yun Shen Zi No. 90886 [2018]). The financial position as at 31 October 2018 was confirmed in the "Special Audit Report on Asset and Capital Verification of Guangdong Yaoda Financial Leasing Company Limited" (Xin Kuai Shi Bao Zi No. ZC30001 [2019]) provided by the client, and the operating results is confirmed in the financial statements provided by the client.

(3) Business and Main Product of the Company

Guangdong Yaoda Financial Leasing Company Limited, with a registered capital of RMB300 million for the first instalment, is the largest is the finance lease company in Foshan in terms of capital and a 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 a best manufacturing base for advanced equipment along the west bank of the Pearl River in China with international competitiveness, Guangdong Yaoda Financial Leasing Company Limited will, in the next five years, focus on urban infrastructure construction projects in Foshan and strive to become a professional finance lease company 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.

The major services of the Company include captive lease and direct leasing businesses in which domestic and foreign finance lease companies have less presence. Guangdong Yaoda Financial Leasing Company Limited will vigorously expand such businesses in the future, thus catering to the demand of high-end equipment manufacturing companies and end users. Financial leasing products directly oriented to the needs of manufacturers will promote the integration of production, marketing and post-sales services for high-end equipment manufacturing industry, thus accelerating the construction of high-end equipment manufacturing industrial belt along the west bank of the Pearl River, promoting the overall transformation and upgrade of high-end equipment manufacturing industry, broadening the financing channels for small and medium-sized businesses, promoting the consolidation of resources in the state-owned enterprises and facilitating the development of social undertakings.

Its service are detailed as follows:

A. Direct Finance Lease

A finance lease company purchases equipment selected by a lessee and leases it to the lessee. When the lease expires, the lessee can obtain the ownership of the equipment at the equipment purchase price agreed in the contract.

B. Sale and Lease Back

A lessee transfers the ownership of its own equipment to a finance lease company at fair value, and then leases the equipment back by signing the leaseback contract with the finance lease company.

C. Commercial Factoring

A supplier transfers the accounts receivable arising from a goods sales/service contract concluded with a buyer to a factoring agent, which provides the supplier with the trade financing instruments of comprehensive financial services, such as accounts receivable financing, accounts receivable management and collection, and credit risk management. The essence of commercial factoring is that on the basis of commercial transactions, the supplier converts the creditworthiness of core enterprises (i.e., buyers) into their own creditworthiness for receivables financing.

(III) Relationship between the client and the valuation target

In this valuation, Guangdong Join-Share Financing Guarantee Investment Co., Ltd. intends to become the shareholder of the valuation target, Guangdong Yaoda Financial Leasing Company Limited through the proposed capital injection.

(IV) Valuation report users other than the Client

The valuation report users other than the Client are the entities (or individuals) closely related to the consequential economic activities upon realization of the purposes of this valuation report specifically, including the valuation target, the shareholders of the valuation target, and the users of the valuation report specified by national laws and regulations.

II. PURPOSE OF VALUATION

According to the Resolution of the First Meeting of the Second Board of Directors of Guangdong Yaoda Financial Leasing Company Limited, the proposal for the capital injection of Guangdong Yaoda Financial leasing Company Limited has been approved, pursuant to which. Guangdong Yaoda Financial Leasing Company Limited will increase its registered capital to RMB425 million (of which Foshan Financial Investment Holdings Co., Ltd. subscribes for 15,000,000 shares with its shareholding ratio changed to 24.71% after capital injection; Foshan Automobile Transportation Group Co., Ltd. subscribe for 17,500,000 shares with its shareholding ratio changed to 14% after the capital injection; Guangdong Join-Share Financing Guarantee Investment Co., Ltd. subscribes for 92,500,000 shares with its shareholding ratio changed to 21.76% after the capital injection).

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 capital injection of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.

III. VALUATION TARGET AND VALUATION SCOPE

(I) Overview of the valuation target and scope

1. The valuation target

The valuation target of this valuation is the audited Total Shareholders' Equity of Guangdong Yaoda Financial Leasing Company Limited at the Valuation Date. 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 the valuation target was RMB1,700,745,600 (including: current assets of RMB1,246,222,300 and non-current assets of RMB454,523,300). The book value of the total liabilities was RMB1,347,000,300 (including: current liabilities of RMB981,171,300 and non-current liabilities of RMB365,829,000). The book value of the net asset was RMB353,745,300.

Name of Item		Book value
I.	**Total current assets**	**1,246,222,297.12**
	Monetary capital	299,995,461.99
	Trading financial assets	—
	Notes receivables	—
	Accounts receivable	372,993,170.78
	Prepayments	7,621.99
	Interest receivables	95,118.75
	Dividend receivables	—
	Other receivables	7,019,809.51
	Inventory	—
	Non-current assets due within one year	551,111,114.10
	Other current assets	15,000,000.00
II.	**Total non-current assets**	**454,523,327.12**
	Available-for-sale financial assets	—
	Held-to-maturity investments	—
	Long-term receivables	450,209,543.40
	Long-term capital injection	—
	Investment properties	—
	Fixed assets	470,235.41
	Construction in progress	—
	Construction materials	—
	Disposal of fixed assets	—
	Productive biological assets	—
	Oil and gas assets	—
	Intangible assets	3,618.07
	Development expenditures	—
	Goodwill	—

	Name of Item	Book value
	Long-term deferred expenses	311,994.54
	Deferred income tax assets	3,527,935.70
	Other non-current assets	—
III.	**Total assets**	**1,700,745,624.24**
IV.	**Total current liabilities**	**981,171,296.49**
	Short-term borrowings	321,201,945.38
	Trading financial liabilities	—
	Notes payables	—
	Accounts payable	318,000.00
	Advance from customers	16,686,763.42
	Payroll payables	—
	Tax payables	8,496,876.29
	Interest payables	3,346,156.40
	Dividend payables	4,500,000.00
	Other payables	190,588,646.98
	Non-current liabilities due within one year	436,032,908.02
	Other current liabilities	—
V.	**Total non-current liabilities**	**365,828,977.01**
	Long-term borrowings	365,656,285.13
	Bonds payables	—
	Long-term payables	172,691.88
	Specific payables	—
	Estimated liabilities	—
	Deferred income tax liabilities	—
	Other non-current liabilities	—
VI.	**Total liabilities**	**1,347,000,273.50**
VII.	**Net assets (owner's equity)**	**353,745,350.74**

The financial data in the above report is provided by the valuation target, BDO Shu Lun Pan Certified Public Accountants (LLP) has audited and confirmed the financial data in the above financial statements prepared by the Company, and issued an asset and capital verification audit report (Xin Kuai Shi Bao Zi No. ZC30001 [2019]). The valuation target and scope of this valuation are consistent with those involved in the economic behavior.

2. Significant accounting policies currently adopted by the valuation target:

(1) Accounting system

The "Accounting Standards for Business Enterprises" and its supplementary provisions are carried on.

(2) Accounting year

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

(3) Reporting currency

The Company's books of accounts are maintained in Renminbi ("RMB").

(4) Book-keeping basis and price-calculating principle

The financial statements were prepared using the historical cost basis and accruals basis of accounting.

(5) Criteria for determining cash and cash equivalents

In preparing the statement of cash flow, the cash on hand and the deposits that can be readily withdrew on demand are recognized as cash, while short-term (usually within a period of 3 months from purchase date on)and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of change value is recognized as cash equivalents.

(6) Financial instruments

1. Classification of financial instruments

Financial assets and financial liabilities are classified at the initial recognition as: financial assets or financial liabilities at fair value through profit or loss, including trading financial assets or financial liabilities; held-to-maturity investments; receivables; available-for-sale financial assets; other financial liabilities.

2. Recognition basis and measurement method of financial instruments

1) Financial assets at fair value through profit or loss (financial liabilities)

When acquired, the fair value (net of declared but not paid cash dividends or bond interest that has expired but not yet received) is recognized as the initial confirmation amount and the relevant transaction costs are included in profit or loss.

The interest or cash dividends received during the holding period are recognized as investment income, and the change in fair value is included in the current profit and loss at the end of the period.

At the time of disposal, the difference between its fair value and the initial amount is recognized as investment income, and the profit and loss in fair value are adjusted.

2) Held-to-maturity investments

When acquired, the sum of the fair value (net of bond interest that has expired but not yet received) and the related transaction expenses is taken as the amount initially recognized.

During the holding period, the interest income is calculated based on the amortised cost and the effective interest rate, and is included in the investment income. The effective interest rate is determined when acquired and remains in the expected term or for a shorter period.

The difference between the amount received and the book value of such investment is recognized in the investment income at their disposal.

3) Receivables

The debts receivable arising from the sales of goods or provision of labour services by the Company, and the rights to debt instruments of other business held by the company that do not include ones that are quoted on an active market, including accounts receivable and other receivables, are recognized using the contractual amount receivable from the buyer or the agreed fees as initial recognition amount; those of a financing nature are recognized using its current value as initial recognition amount.

Upon receipt or disposal, the difference between the consideration received and the carrying amount of the receivable is recognized in profit or loss for the period.

4) Available-for-sale financial assets

When acquired, the sum of the fair value (net of the cash dividends that have been declared but not yet paid or the bond interest that has expired but not yet received) and the related transaction costs is recognized as the amount initially recognized.

The interest or cash dividends obtained during the holding period are recognized as investment income, which is measured at fair value through other comprehensive income at the end of the period. However, the investment in equity instrument that are not quoted in an active market and whose fair value cannot be measured reliably, and derivative financial assets that are linked to such equity instrument and that must be settled through the delivery of the equity instrument shall be measured at cost.

When disposed, the difference between the amount received and the book value of such financial assets is included in the investment income. At the same time, the amount of the change in the fair value directly included in other comprehensive income corresponding to the disposal portion is transferred out and is included in the profit or loss for the period.

5) Other financial liabilities

The sum of its fair value and related transaction cost is taken as the amount initially recognized. It was subsequently measured at amortized cost.

3. Basis for recognition and measurement method of transferred financial assets

When a company transfers its financial asset, the financial assets shall derecognized in the event that almost all the risks and rewards of the ownership of such financial assets have been transferred to the transferee; the financial assets shall not be derecognized in the event that almost all the risks and rewards of ownership of such financial assets are retained.

When judging whether the transfer of financial assets satisfies the conditions for derecognition of the above-mentioned financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets. If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the profit or loss for the period:

1) the book value of the transferred financial assets;

2) 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 owners' equity in the case where the transferred financial assets are available-for-sale financial assets.

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets is apportioned between the derecognition portion and the non-derecognition portion at their respective fair values, and the difference between the following two amounts is included in the profit or loss for the period:

1) The book value of the derecognition portion;

2) 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 owners' equity in the case where the transferred financial assets are available-for-sale financial assets.

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

4. Conditions for derecognition of financial liabilities

If all or part of the current obligations of financial liabilities have been discharged, the financial liabilities or part of them will be derecognized; if the company signs an agreement with the creditor, to replace the existing financial liabilities with new financial liabilities with substantially different terms of contract, the existing financial liabilities shall be derecognized while the new financial liabilities are recognized.

If substantial changes are made to the contract terms (whole or in part) of existing financial liabilities, the existing financial liabilities (or part of them) shall be derecognized, and the financial liability after the modification of terms shall be recognized as a new financial liability.

When all or part of the financial liabilities is derecognized, the difference between the book value of the derecognized financial liabilities and the paid consideration (including the non-cash assets transferred out or the new financial liabilities) shall be included in the profit or loss for the period.

If the company repurchases part of the financial liabilities, the book value of the entire financial liabilities is allocated on the repurchase date based on the relative fair value of the continuing recognition portion and the derecognition portion. The difference between the book value assigned to the derecognized portion and the consideration paid (including the non-cash assets transferred out or the new financial liabilities) shall be included in the profit or loss for the period.

5. Method for determining the fair value of financial assets and financial liabilities

As for financial instruments with an active market, their fair value is determined by quoted prices in the active market. As for financial instruments without an active market, their fair value is determined by using valuation techniques. At the time of valuation, the company adopts valuation techniques that are applicable in the current circumstances and sufficiently supported by available data and other information, and selects input values that are consistent with the characteristics of the assets or liabilities considered by the market participants in the transactions of the relevant assets or liabilities, and prioritizes the use of relevant observable input values. Unobservable input values are used only if the relevant observable input values are not available or are not practicable.

6. Test method and accounting method for impairment of financial assets (excluding receivables)

Except for financial assets measured at fair value through profit or loss for the period, the company checks the book value of financial assets on the balance sheet date. If there is objective evidence that a financial asset is impaired, the provision for impairment will be made.

1) Provision for impairment of available-for-sale financial assets:

If the fair value of available-for-sale financial assets decline significantly at the end of the period, or it is expected that such decline trend is non-temporary after comprehensive consideration of various relevant factors, and it is deemed to be impaired. The accumulated losses resulting from such decline in the fair value directly included in the owner's equity are transferred out for recognition of the impairment loss.

For the available-for-sale debt instruments that have been recognized for impairment losses, the originally recognized impairment loss shall be reversed and included in the profit or loss for the period in the events that the fair value of such debt instruments is increased in the subsequent accounting period and the originally recognized impairment loss is objectively related to the event occurred after such recognition.

Impairment losses arising from investments in available-for-sale equity instruments are not reversed through profit or loss.

2) Provision for impairment of held-to-maturity investments:

The impairment loss of held-to-maturity investments is measured by reference to the measurement method of impairment loss of receivables.

(7) Provision for bad debts of receivables

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

The basis for judgment of individually significant amount and amount criteria: the 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.

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

Receivables arising from finance lease business, factoring business and entrusted loan business	Five-tier classification method for provision for bad debts
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
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, the five-tier classification method is used to make provision for bad debts:

Aging	**Proportion of provision (%)**
Normal class	1
Special mention	3
Subordinated classes	30
Doubtful	60
Loss	100

A combination of receivables that 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, the provision for bad debts is made by balance percentage method:

	Proportion of provision for accounts receivable (%)	Proportion of provision for other 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

The receivables that are not individually significant but subject to separate provision for bad debts:

The receivables that are not individually significant but has been impaired by objective evidence shall be tested for impairment individually, and the provision for bad debts is made based on the difference between the present value of its future cash flows and its carrying amount.

(8) Inventories

1. Classification of inventories

The inventories are classified as: finance lease assets.

2. Valuation method of inventories delivered

When the inventories are delivered, it is calculated by using individual determination method.

3. Basis for the determination of net realizable value for different type of inventories

Provision for impairment of inventories is made on an item-by-item basis at the end of the period.

The company's finance lease assets are held for lease, and there are generally identified prospective lessees at the time of holding. Therefore, the net realizable value of inventory items at the end of period is determined based on the relevant contract price.

(9) Fixed assets

Fixed assets are tangible assets held for use in the production of goods, provision of services and for rental, or administrative purposes, with a useful life of more than one year.

Fixed assets are measured at actual cost and depreciated by using the straight-line method. The depreciation rate is determined based on the categories of fixed assets, estimated useful lives and estimated net residual value. The depreciation period and annual depreciation rates of various fixed assets are as follows:

Asset Class	Depreciation period (year)	Estimated residual value (%)	Annual depreciation rate (%)
Office furniture	5	5	19
Equipment	5	5	19
Transportation equipment	10	5	10

The fixed assets for which the provision of impairment was made in full are no longer provided for depreciation of fixed assets.

For the fixed assets for which depreciation provision is made, the depreciation rate and depreciation amount are recalculated and determined based on the book value of the fixed assets and their remaining useful lives.

(10) Intangible assets

1. Valuation method of intangible assets

1) Intangible assets are initially measured at cost upon acquisition

The costs of intangible asset purchased externally include the purchase price, relevant taxes and other expenditures directly attributable to putting the asset into condition for its intended use.

2) Subsequent measurement

The company shall analyze and judge the useful lives of intangible assets upon acquisition.

As for intangible assets with a finite useful life, they are amortized by using the straight-line method over the term in which economic benefits are brought to the enterprise; If the term in which economic benefits are brought to the enterprise by an intangible assets cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortized.

(11) Long-term deferred expenses

Long-term deferred expenses are the expenses occurred, with a benefit period of over one year.

The long-term deferred expenses incurred shall be measured at the actual cost and amortized on an average basis during the expected benefit period and are presented in statement as the net actual expenditure after deducting accumulated amortization.

(12) Borrowing costs

The borrowing costs incurred by raising production and operation funds are included in the profits and losses for the period; the interest on the borrowings arising from the special borrowings used for the purchase or construction of fixed assets shall be included in the cost of fixed assets purchased before such fixed assets satisfy the condition for intended use; those incurred on the time when such fixed assets satisfy the condition for intended use shall be directly recorded in profit and loss for the period.

The principle of determining the interest capitalization ratio: for special borrowings directly used for the purchase or construction of fixed assets, the capitalization rate is the interest rate of such borrowings; for more than one special borrowings used for the purchase and construction of fixed assets, the capitalization rate is the weighted average interest rate of these special borrowings.

The capitalization of borrowing costs shall be suspended and when the activities of purchase or construction of fixed assets purchased are halted under abnormal conditions for over three months, and recognized as expenses of the period until the purchase or construction of such fixed assets resumes.

The capitalization of borrowing costs shall be cut-off when the fixed assets purchased or constructed satisfy to the condition for intended use.

(13) revenue

The main operating revenue of Guangdong Yaoda Financial Leasing Company Limited is mainly those from interest and consulting service income, including financing income of finance lease projects, interest income of commercial factoring business and consulting services.

1. The principle of revenue recognition for the transfer of right to use assets:

    1) It is probable that the relevant economic benefits will flow to the Company;

    2) The amount of revenue can be reliably measured.

The financing income of the finance lease projects is recognized after the relevant contract has been signed and the lease term has come into effect; the commercial factoring business and the entrusted loan business is recognized after the relevant contract has been signed and the funds have been paid to customers.

Interest income shall be determined based on the time when the company's cash used by others and the effective interest rate.

2. The principle for recognizing income of rendering of services:

   1) The services has been provided;

   2) It is probable that the economic benefits associated will flow to the Company;

   3) The amount of income can be reliably measured.

The Company's income from rendering of services is mainly the income from consulting services, which shall be recognized after the relevant contract has been signed and the contracted service has been completed.

(14) Main taxes and tax rates

1. Main types of taxes and tax rates

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

2. Tax Preference

   Nil.

(II) Book records declared by the valuation target or status of unrecorded type, quantity and legal titles of intangible assets

Nil.

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

As of the Valuation Date, no economic activities such as guarantees have been found in the valuation target.

Lease situation: Guangdong Yaoda Financial Leasing Company Limited leased its commercial real estate, which is located on the 19th floor (self-compiled 21 floor nominally) of the Jinghua Building, No. 18, Jihua 5th Road, Chancheng District, Foshan City, to Foshan City Property Asset Management Co., Ltd. for the purpose of office space. The leased area of such property is 908m^2, for a term from 1 March 2019 to 28 February 2020, at the unit rental price of RMB38 per m^2 per month. The total for the monthly rent is RMB34,504. The valuation did not take into account the leasehold interest.

(IV) Types and quantities of off-balance-sheet assets declared by the valuation target

Nil.

(V) Types, quantities and carrying amount 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 base date is reported by the valuation target based on the amount of assets and liabilities adjusted and audited by BDO Shu Lun Pan Certified Public Accountants (LLP). For the assets class and book value, please refer to the attached post-audit statement.

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 of the market value (investment value, utility, liquidation value, residual value and others). After the valuer and the principal fully communicate and, according to the purpose of the valuation of the valuation items, assess the specific situation of the valuation target 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 principal 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 subject of valuation 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 capital injection for the client. The market value type valuation should objectively and fairly reflect the total equity of the valuation target'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 valuation target, 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 October 2018, 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 valuation target at the Valuation Date to facilitate the real reflection of the current value of the valuation target 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, liabili1ties and overall profitability in the future of the valuation target 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

1. Assets Valuation Engagement Contract

(II) Basis of laws and regulations

1. "Asset Appraisal 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 adpoted at the 10th National People's Congress at its 5th session on 16 Match 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. "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);

5. "Administrative Measures for the Valuation of State-owned Assets" (Order No. 91 of the State Council and implemented on 16 November 1991);

6. "The Detailed Rules for the Implementation of the Administrative Measures for the Valuation of State-owned Assets" (Guoziban Fa [1992] No. 36 and implemented on 18 July 1992);

7. "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 Appraisal Administration Work" (Guo Ban Fa [2001] No. 102);

8. "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);

9. "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);

10. “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);

11. “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);

12. “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);

13. Other applicable laws and regulations related to asset valuation.

(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 — Enterprise Value” (Zhong Ping Xie [2017] No. 36);

8. “Practicing Standards on Assets Valuation — Intangible Assets” (Zhong Ping Xie [2017] No. 37);

9. “Practicing Standards on Assets Valuation — Machinery and Equipment” (Zhong Ping Xie [2017] No. 39);

10. “Guidelines to Valuation Reports of Stated-Owned Assets of Enterprises” (Zhong Ping Xie [2017] No. 42);

11. “Guidelines to Service Quality Control in Asset Valuation Institutions” (Zhong Ping Xie [2017] No. 46);

12. “Guiding Opinions on Types of Value under Asset Valuation” (Zhong Ping Xie [2017] No. 47);

13. "Guiding Opinions on Legal Titles of the Valuation Target of the Asset" (Zhong Ping Xie [2017] No. 48);

14. "Guiding Opinions on Valuation of Non-performing Financial Assets" (Zhong Ping Xie [2017] No. 52);

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 Leasing Company Limited" issued by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) (Xin Kuai Shi Bao Zi [2019] No. ZC30001);

2. Original accounting documents, original accounting evidences, information on financial and accounting management, bank statements, as well as relevant agreements, contracts, invoices and other financial information provided by the valuation target;

3. "Common Data and Parameters Manual for Asset Valuation" (Revised);

4. Historical data of the securities market;

5. Records of Valuers' on-site check and verification, data collected from on-site investigation and relevant data collected from parameter data selection in the valuation process;

6. Quoted prices and parameter data related to equipment;

7. Other relevant information provided by the valuation target.

VII. VALUATION METHOD

(I) Basic methods of asset valuation

The basic valuation methods stipulated in the "Basic Standards of Asset Valuation," "Standards of Asset Valuation — Enterprise Value," and the relevant valuation standards include the market approach, the income approach, and the asset-based approach (cost method). The valuer shall analyze the applicability of the income approach, the market approach, and the cost method (asset-based approach), and determine the most appropriate approach or approaches according to the purpose and valuation target as well as type of valuation, information collected, and other relevant conditions.

1. Market approach

The market approach refers to the valuation method that takes advantage of the recent transaction prices of equity or the like in the market to evaluate the value of the equity of the valuation target through direct comparison or analogy analysis. The basic premises for application of the market approach include:

(1) There is an active open market;

(2) There are comparable enterprise equities and the transaction activities thereof in the open market.

2. Income approach

The income approach refers to the valuation method that estimates the value of the equity by evaluating the present value of the future expected earnings of the valuation target. The basic premises for application of the income approach include:

(1) The future expected earnings of the valuation target can be predicted and measured in currency;

(2) The risks borne by the equity owner for obtaining the expected earnings can be predicted and measured in currency;

(3) The expected profit-earning terms of the valuation target can be predicted.

3. Asset-based approach (cost method)

The asset-based approach (cost method) is to first evaluate the individual asset within the valuation scope with proper valuation methods to derive their respective appraised value under the assumption of replacing all the production factors, sum all the values and deduct the appraised values of relevant liabilities to derive the appraised values of total enterprise assets, that is, the appraised values of the owners' equities.

(1) The valuation target is under use on an ongoing basis or set as under use on an ongoing basis;

(2) the prevailing route to purchase or construct the assets of the valuation target and the corresponding average social cost can be accessed through investigation.

(II) Reasons for the choice of the valuation method

1. The purpose of the valuation is to provide the market value of the shareholder's total equity of the valuation target as a reference for the client's proposed capital injection. Through market researches, it is difficult to collect transaction cases with comparability as a comparable reference. According to the characteristics of the asset of the valuation, it is difficult to collect sufficient cases of enterprise equity transactions of the same kind since China's current marketization and informatization are not at high degree. Therefore, the valuation shall not be performed with the market comparison method.

2. As of the Valuation Date, the accounting information of the assets and liabilities of the valuation target are fully prepared to meet the requirements of the route valuation of the asset-based approach. Therefore, the valuation is performed with the asset-based approach (cost method) based on the client's purpose and the actual situation of the valuation target.

3. The valuation target has been established for three 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 valuation target'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.

The asset-based approach (cost method) is to first evaluate the individual asset within the valuation scope with proper valuation methods to derive their appraised values under the assumption of replacing all the production factors, sum all the values and deduct the appraised values of relevant liabilities to derive the appraised value of the total equity of the shareholders of the valuation target.

The income approach takes the expected incomes of assets as the standard of value, which reflects the degree of the operating capacity (profitability) of the assets, but such profitability is usually subject to by various conditions, such as the macro economy, governmental control operation management of the valuation target and effective usage of assets.

Based on the above analysis, the valuer concluded that the asset-based approach (cost method) and the income approach are theoretically and practically applicable to the valuation.

(III) Rationale and methods of valuation

1. Asset-based approach (cost method)

(1) Rationale of valuation with the asset-based approach (cost method)

The asset-based approach (cost method) refers to a valuation method for determining the value of the valuation target based on the balance sheet on the Valuation Date of the valuation target, which reasonably appraises the assets and liabilities on and off-balance sheet of the valuation target. Its basic 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

A. Monetary fund

The appraised values are the verified book values.

B. Receivables

After all receivables are verified to be accurate, the appraised values are determined on the basis of the amount recoverable of per item. Risks of loss of receivables are assessed by individual identification method. The risks of loss were determined in accordance with the aforesaid standards, and the appraised value is the amount of the receivables after deduction of the assessed risks of losses. Provisions for risks were assessed to be nil in accordance with relevant provisions.

C. Prepayments

For valuation of prepayments, the valuers, after confirming prepayments are verified to be accurate, analyze the amount, time of incurrence of and reason for, the financial position, creditworthiness and operation and management of the payee based on historical information and the current situation known under investigation. Where there is no indication of bankruptcy or revocation of the suppliers or its failure to provide goods as scheduled under the contracts, the book value after adjustment is recognized as the appraised value.

D. Interest receivables

In the process of valuation, the time, specific content and the reasons of formation of the payments are analyzed based on consistency between accounts, statements and lists. The interest accrued is verified according to accounting standards in the absence of inconsistency after inquiring of relevant contract that interest is provided correctly. After analysis and verification, the appraised value is determined based on the possible recoverable amount of interest receivables. For the interest receivables whose amounts of possible losses incurred are difficult to estimate, the valuation is performed according to the relevant provisions and with reference to the method of provision for bad debts by the valuation target.

E. Other receivables

After the accuracy of all receivables are verified, the appraised value is determined based on each recoverable amount. For receivables which are believed to be fully recoverable on adequate grounds, the appraised value is calculated according to their full amount. For receivables which a partial amount is likely to be irrecoverable, and in the event that it is difficult to determine the amount of receivables which is irrecoverable, the amount is estimated according to the financial calculation method of bad debts, and then the appraised value is deducted from the total amount of the receivables. For receivables which should be revoked in accordance with the relevant management system or is irrecoverable as demonstrated by sufficient evidence, the appraised value is calculated at zero value. The sum of the appraised values calculated in various cases is the appraised value of the receivables. The appraised value of provision for bad debts is zero.

F. Non-current assets due within one year: Including sale and leaseback payment due within one year and direct leasing payment.

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. Provisions for risks were assessed to be zero in accordance with relevant provisions.

G. Other current assets: mainly represents the structured deposits of valuation target. 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.

H. Fixed assets

(A) Asset valuation methods for machinery and 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 valuation target 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:

Net appraised value = full replacement cost × 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 market at the Valuation Date, and considering the transportation and miscellaneous charges, installation and commissioning charges, other expenses, capital costs.

B) For some equipment without 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 China's electromechanical products market 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 vehicles, the replacement cost of the vehicle consists of the purchase price, the vehicle purchase tax, and the license fee. The purchase price of the vehicle is determined by the latest market quotation and transaction price data from the local automobile trading market on the Valuation Date. According to the relevant provisions of the state, the vehicle purchase tax is 10% of the car price (excluding tax).

Replacement cost = purchase price + purchase price/(1 + 17%) × vehicle purchase tax rate + license fee.

E) For electronic equipment, due to the less value , no installation process (or the seller may be in charge of installation) and low transportation and miscellaneous 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 taking into account of the economic useful life and technical life of the equipment 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 newness rate of vehicles, the comprehensive assessment is carried out based on the relevant provisions of Obsolescence Standards on Motor Vehicle in the PRC and the outcomes of site inspections.

Comprehensive newness rate = theoretical newness rate × 40% + newness rate of technical appraisal × 60%

Of which: Theoretical newness rate = year newness rate

C) For the office equipment such as computers and mobile phones with small value, 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:

Newness rate = (Economic useful life — Years used) ÷ Economic useful life × 100%

D) 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.

I. Long-term receivables

The long-term receivables within the valuation scope is the rental receivable for the finance lease project currently being performed by the valuation target. The valuer has checked the relevant finance lease contracts and the original accounting documents, and verified the authenticity and accuracy of the long-term receivables. The individual identification method is used for assessing the risk losses of the long-term receivables. The risk losses were determined in accordance with the aforesaid standards, and the amount of the long-term receivables after deduction of the assessed risk losses is taken as the appraised value. The risk preparation is evaluated at zero according to the relevant provisions of the valuation.

J. Intangible assets

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

K. Long-term deferred expenses

The content of the long-term deferred charges is the decoration payment of the company. The valuators collected and verify 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.

L. Deferred income tax assets

Deferred income tax assets are the new accounting quasi-days for the valuation target. On the Valuation Date, the entity should make provision for impairment loss of assets, and the provisions for reserves of bad debts and reserves of impairment of not receivable accounts, which are temporary difference in the recognition of enterprise income tax by accounting and taxation. The valuators firstly verify the rationality of the provision, the accounting method of the deferred income tax asset, the applicable tax rate and the term of interest to determine whether the income tax can be deducted in the future; and then evaluate debt assets involved according to the valuation requirements, and process the provision of the bad debt as zero value; then compare the valuation result with the original amount of the book to evaluate the determined risk loss and adjust the book record of the deferred income tax asset to obtain the appraised value.

M. Other current assets

The valuators obtain the reasons for the formation of other current assets from the relevant departments, and verify the authenticity of the other current assets and the corresponding rights in the future by checking the books and original documents. The vetted book value is taken as the appraised value since there is no evidence that the corresponding interest cannot be recovered.

N. Specific valuation method for current liabilities

For the current liabilities within the scope of valuation, based on the amount declared by the valuation target, 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 valuation target'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.

O. 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 valuation target'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.

2. Income approach

The discount cash flow method used in this project refers to a valuation technical idea which evaluate the appraised value by estimating the net cash flow expected by the valuation target in the future and convert it into the present value using the appropriate discount rate. Prerequisites for discount cash flow method are that: (1) The total assets of the valuation target 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

Value of Total Shareholders' Equity = value of operating assets + value of excess assets (including long-term investment value) — value of excess liabilities + net value of non-operating assets and liabilities

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 valuation target after the valuation date.

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

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

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

R_n 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 valuation target, 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 analysed and evaluated by the cost method.

3. Value of excess assets

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

4 Determination of the discount rate

The evaluated 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;

ε is Risks specific to the valuation target;

β_e is Equity market risk factor.

I. 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 from 2016 to October 2018, which has been compiled with comprehensive analysis following the prevailing laws and regulations of China, 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 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

Revenue from the principal business of the valuation target from 2016 to October 2018

Unit: RMB ten thousand

Item/Year	2016	Growth rate (%)	2017	Growth rate (%)	October 2018	Growth rate (%)
Revenue from principal business	1,630.95054	—	7,032.342773	331.18%	7,678.363436	9.19%
Revenue from other business	1,506.664939	—	2,055.815824	36.45%	2,367.231655	15.15%
Total revenue from sales	3,137.615479	—	9,088.158597	189.65%	1,0045.59509	10.53%

As illustrated in the abovementioned table, revenue from the business operations of the valuation target has been growing in the recent years. Among which, for the first ten months in 2018, revenue from the business operations grew by 10.53% as compared to that last year.

According to the "2018 China Financial Leasing Industry Development Report" (2018年中國融資租賃業發展報告), the overview of the national finance lease sector for last year was disclosed. Subject to various regulatory bodies, the financial leasing enterprises may be categorized into finance lease enterprises, domestic lease companies and foreign lease companies, among which, finance lease enterprises are considered as financial institutions and shall be subject to supervision by the China Banking and Insurance Regulatory Commission, while domestic lease companies and foreign lease companies (including Sino-foreign joint ventures, Sino-foreign partnerships, and foreign wholly-owned enterprises) are currently defined as non-financial institutions.

By the end of 2018, the contractual remaining balance of the national finance lease amounted to approximately RMB6,650 billion, representing an increase of approximately RMB570 billion or 9.38% as compared to RMB6,080 billion by the end of 2017. Details can be found in the following table:

2018 China Finance Lease Development (RMB100 million)

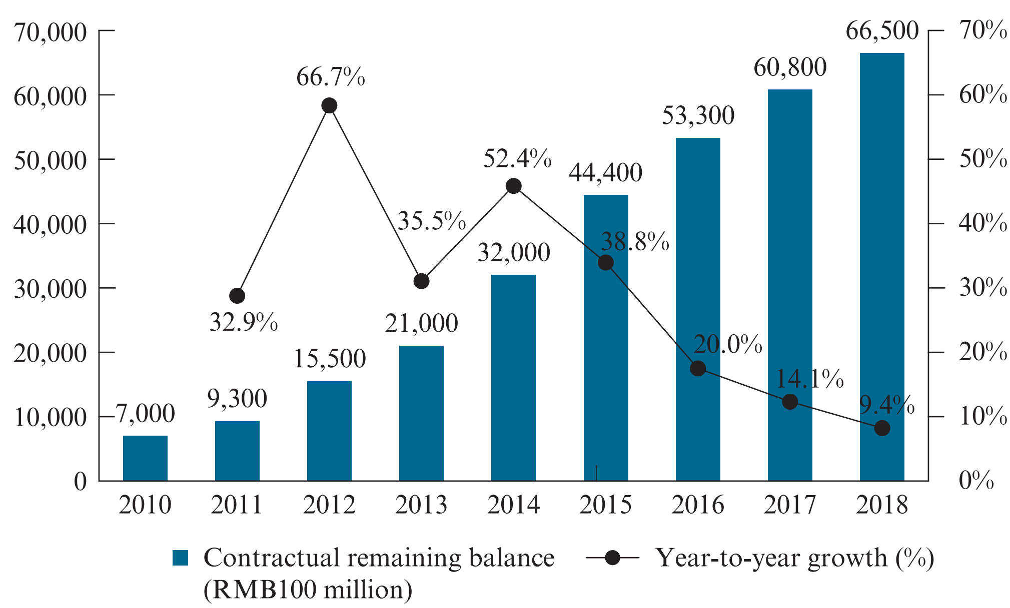
	By the end of 2018	By the end of 2017	Increase	Growth as compared to the end of previous year *(%)*	Percentage of total business volume in the industry *(%)*
Finance lease	25,000	22,800	2,200	9.65	37.6
Leasing by domestic companies	20,800	18,800	2,000	10.64	31.3
Leasing by foreign companies	20,700	19,200	1,500	7.81	31.1
Total	66,500	60,800	5,700	9.38	100

Source: China Rental Union (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 Financial Leasing 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; 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.

Set forth below is a figure containing the changes to the market size of the finance lease industry in China from 2010 to 2018, which is compiled by the China Rental Union, the Joint Leasing Research and Development Center (聯合租賃研發中心), and the Forward Industries Research Institute (前瞻產業研究院). According to data contained set forth in the chart below, the market size of the finance lease industry witnesses a slowing growth pace, with a single-digit growth reported in 2018.

Changes to the market size of the finance lease industry in China from 2010 to 2018 (Unit: RMB100 million, %)



The preceding paragraphs represent an analysis of the overview of the finance lease industry. We wish to collate information pertaining to the growth of operating revenue of enterprises engaged in the finance lease industry so that such growth of the operating revenue in the finance lease industry can be verified at a microeconomic level. Therefore, taking into consideration a portion of enterprises engaged in finance lease and are listed on the National Equities Exchange and Quotations (NEEQ), we identified the registered capital, date of incorporation, and the scope of principal business regarding these enterprises as the basis for selecting comparable companies.

Three comparable companies, being Shandong Donghai Financial Leasing Co., Ltd.* (山東東海融資租賃股份有限公司) ("**Donghai Financial Leasing**"), Fujian Funeng Finance Leases Co., Ltd.* (福建福能融資租賃股份有限公司) ("**Funeng Financial Leasing**"), and Zhejiang Kangan Financial Leasing Co., Ltd.* (浙江康安融資租賃股份有限公司) ("**Kangan Financial Leasing**"), are selected by us based on eastmoney.com, as their operating data is available for public access. Furthermore, their principal business is finance lease with their leasing business presence throughout Mainland China, which is consistent with the valuation target.

As registered capital can be reflective of the capital strength of a company, the registered capitals of Kangan Financial Leasing, Funeng Financial Leasing, and Donghai Financial Leasing are RMB190 million, RMB310 million and RMB500 million, respectively. As the date of incorporation can be reflective of customer relations and industrial experiences of a company, the dates of incorporation of Kangan Financial Leasing, Donghai Financial Leasing, and Funeng Financial Leasing are 2003, 2011 and 2012, respectively.

Reason for us to select the average growth rate of operating revenue over the last three years is that according to the listing requirements governing trading of A shares in the domestic market and trading of shares in the Hong Kong market, enterprises are mostly required to provide company information that covers three years. Furthermore, the arithmetic mean represents good measures of central tendency, as many advantageous features are factored in, such as agile response, precise identification, easy and simple interpretation, simple calculation, suitability for future extrapolation, and limited impacts by sampling. Therefore, we believe that selecting the average growth rate of operating revenue over the last three years provides a solid theoretical foundation, which can be reflective of the development trend of this industry.

The average growth rate of the operating revenue of these three enterprises for the last three years is 9.3%, as shown in the table below.

	2017 annual repot	Growth rate	2016 annual repot	Growth rate	2015 annual repot	Growth rate	2014 annual repot	Average growth rate of operating revenue for the last three years
				Shandong Donghai Financial Leasing Co., Ltd.*				
I. Total operating revenue *(RMB)*	178,946,853.98	–7.52%	193,492,291.99	–7.29%	208,699,347.35	30.60%	159,802,955.39	5.26%
				Fujian Funeng Finance Leases Co., Ltd.*				
I. Total operating revenue *(RMB)*	174,841,881.54	–7.07%	188,152,047.66	14.65%	164,108,971.78	3.66%	158,311,229.04	3.75%
				Zhejiang Kangan Financial Leasing Co., Ltd.*				
I. Total operating revenue *(RMB)*	93,820,776.81	–8.28%	102,292,751.11	38.52%	73,848,577.86	26.43%	58,412,505.15	18.89%
Average growth rate								9.3%

It is analyzed based on operating revenue growth rate of the above cases for recent years, policy expectations, industry sentiment, the enterprise's own situation and business strategies:

Over the last one to two years, all of these three companies witnessed a sign of declining in the growth rate of their operating revenue, which has from microeconomic perspective proven a slowing growth in the operating revenue within the leasing industry over the last one to two years, unlike the exponential growth over the last three to four years. The three companies as referred in the preceding paragraphs reported a negative growth in their operating revenue in recent years, while the operating revenue of the valuation target and the entire industry have been both growing slowly in the recent years, reflecting the better corporate operation of the valuation target. Therefore, it is more appropriate to use the entire industry landscape to do the forecast to avoid impacts on the operating conditions of individual enterprises (including the competence of the management team and the business scope). At the same time, it is noted that there has been a negative growth in recent years in the operating revenue of these three companies whose scale is similar to that of the valuation target. As such, a more conservative approach is taken for the forecast of the operating revenue of the valuation target.

The growth rate of operating revenue is defined as the year-on-year growth rate, meaning the percentage of growth as compared to that last year. Therefore, we predict that the operating revenue from November to December 2018 is determined based on the monthly average of total operating revenue for the first 10 months of 2018.

This valuation was based on the changes in the market size of finance lease business in the PRC between 2010 and 2018, taking into account the size of the valuation target, the prospects of finance lease business in the PRC and the valuation purpose. Therefore, it is predicted that the growth rate of the operating revenue of the valuation target in the next five years will be lower than that of the entire industry in 2018 which was 9.4%. It is predicted that from 2019 to 2023, the growth rate of its main operating revenue will be 5%, 5%, 3%, 3% and 2%, respectively, while that of other operating revenue will be 2%, 2%, 2%, 2% and 1%, respectively.

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

Operating cost and its percentage of the valuation target from 2016 to October 2018

Unit: RMB ten thousand

Item/Year	**2016**	**Percentage of operating Revenue** *(%)*	**2017**	**Percentage of operating Revenue** *(%)*	**October 2018**	**Percentage of operating Revenue** *(%)*
Cost of principal business operation	286.521512	17.57%	3,021.633618	42.97%	3,740.924928	48.72%
Cost of others	43.333889	2.88%	0	0.00%	0	0
Total cost	329.855401	10.51%	3,021.633618	33.25%	3,740.924928	37.24%

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 financing costs of the valuation target. Nevertheless, in light of its own cash flows, the valuation target reduced external loans, carried out business with rational use of self-owned funds, reduced the amount of financing, and expanded financing channels, in order to cope with the rising financing costs of the valuation target.

According to the data analysis of the last three years, the operating cost in 2016 varies significant from that in 2017 and in October 2018, as the valuation target was established in 6 November 2015. As the valuation target was at the initial stage in 2016, the business operations remained off the right track with a low turnover and limited requirements for borrowings, in which case, the operating cost therefore accounted for a lower percentage of the operating revenue. From 2017 to October 2018, the valuation target reported comparatively higher turnovers, and accordingly the valuation target required borrowings to secure lending funds. As a result, the cost rose. Due to the close similarity of the data for these two periods, it is appropriate to select data for these two years as the basis. Data for 2018, which is even closer to the base date, will better reflect the current borrowing costs, the borrowing rate policy of banks, and other factors, and therefore calculation of weighted average percentage is adopted.

Its main operating costs are estimated for the period from 2019 to 2023, during which, its main operating costs as a percentage of operating revenue, as predicated, will be determined at the weighted average of 2017 (weighting 40%) and October 2018 (weighting 60%), that is 46.42%. It is expected that by reducing external loans, the main operating costs will decrease by 2%, or 45.49%, from 46.42% commencing from 2019.

3. *Forecast of tax and surcharge*

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:

Unit: RMB ten thousand

		2016		2017		October 2018	
No.	**Item**	**Amount**	**Percentage of operating Revenue** *(%)*	**Amount**	**Percentage of operating Revenue** *(%)*	**Amount**	**Percentage of operating Revenue** *(%)*
1	(Value-added tax) business tax	0.98	0.03%	0.00	0.00%	0.00	0.00%
2	City maintenance and construction taxes	4.29	0.14%	0.00	0.00%	2.82	0.03%
3	Education surcharges	2.77	0.09%	0.00	0.00%	2.02	0.02%
4	Stamp duty	16.66	0.53%	19.60	0.22%	11.28	0.11%
	Total	24.71	0.79%	19.60	0.22%	16.12	0.16%

The percentage in 2016 varies significantly from that in 2017 and in October 2018, as the operating revenue of the valuation target was low at the inception of 2016. Supported by stable taxation policies, the percentage of tax and surcharge in 2016 was higher than that in 2017 and in October 2018. As analysed, the percentages of the tax and surcharge in 2017 and in October 2018 are able to reflect the tax burden of the valuation target, and therefore the average of the percentages in 2017 and in October 2018 were selected for determination purposes.

Forecast of tax and surcharge is determined based on the average of the percentage of total tax and surcharge in operating revenue in 2017 and in October 2018.

4. Forecast of sales expense of the valuation target

Sales expense and its percentage of the valuation target from 2016 to October 2018

Unit: RMB ten thousand

		2016		2017		October 2018	
No.	**Item**	**Amount**	**Percentage of operating Revenue** *(%)*	**Amount**	**Percentage of operating Revenue** *(%)*	**Amount**	**Percentage of operating Revenue** *(%)*
1	Advertising fees	56.44	1.80%	144.10	1.59%	65.00	0.65%
2	Business entertainment fees	10.00	0.32%	18.95	0.21%	14.43	0.14%
3	Travel expenses	0.47	0.01%	0.00	0.00%	0.00	0.00%
4	Business promotion fees	5.93	0.19%	4.23	0.05%	0.00	0.00%
	Total	72.84	2.32%	167.27	1.84%	79.43	0.79%

The sales expenses are mainly comprised of advertising fees, entertainment fees, travel expenses, and business promotion fees, all of which are not incurred frequently during the year. For example, advertising fees and entertainment fees may usually take place at the beginning of or the ending of the year. As data in October 2018 only covers the expenses incurred for the first ten months, and the operating data for November and December 2018 is unavailable, it will be inappropriate to use data in October 2018.

Therefore, from November to December 2018, they are determined based on the arithmetic average of the proportion of various sales expenses to operating revenue from 2016 to 2017. In view of fierce market competition, the business volume shall increase, which would result in certain growth in various sales expenses in the future, the percentage of which is fundamentally consistent with the growth rate of operating revenue, with both falling within the range of approximately 3% to 5%.

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

Administrative expenses and its percentage of the valuation target from 2016 to October 2018

Unit: RMB ten thousand

		2016		2017		October 2018	
No.	Item	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)	Amount	Percentage of operating Revenue (%)
1	Employee payroll	457.56	14.58%	806.08	8.87%	542.56	5.40%
2	Pre-operation expenses	136.75	4.36%	0.00	0.00%	0.00	0.00%
3	Lease expenses	41.45	1.32%	65.10	0.72%	56.38	0.56%
4	Employee benefits costs	41.41	1.32%	77.46	0.85%	65.06	0.65%
5	Housing fund	30.75	0.98%	53.04	0.58%	44.26	0.44%
6	Others	27.22	0.87%	0.00	0.00%	25.35	0.25%
7	Social security contributions	24.63	0.79%	35.26	0.39%	34.47	0.34%
8	Business entertainment fees	19.99	0.64%	30.72	0.34%	17.41	0.17%
9	Office expenses	15.81	0.50%	28.04	0.31%	24.05	0.24%
10	Depreciation and amortization expenses	14.87	0.47%	21.74	0.24%	19.11	0.19%
11	vehicle use costs	12.21	0.39%	24.30	0.27%	31.92	0.32%
12	Intermediary fees	0.00	0.00%	15.70	0.17%	13.28	0.13%
13	Travel expenses	0.00	0.00%	13.82	0.15%	13.99	0.14%
	Total	822.64	26.22%	1,171.24	12.89%	887.84	8.84%

As per the analysis over the data of the last three years, some expenses incurred in 2016 refers to the founding fees, which is paid for the expenses incurred from business establishment, and will not incur in the future years. Administrative expenses are mainly comprised of employee payroll, in which case, data regarding the employee payroll for the first ten months in 2018 excludes the annual bonus to be paid by the valuation target usually at the year end. In this regard, we believe the composition of administrative expenses in 2017 is appropriate for the data basis.

Therefore, from November to December 2018, they are determined based on the amount of each administrative expense in 2017. In respect of employee payroll and employee welfare, the employee payroll growth rate is determined based on the annual average growth (being 8.05%) of the minimum wage standards for recent three times in Foshan City. Business entertainment fees, travel expenses and etc. are increasing at a certain annual increase rate, the percentage of which is fundamentally consistent with the growth rate of operating revenue, with both falling within the range of approximately 3% to 5%.

6. *Estimation of finance cost*

Finance cost and its percentage of the valuation target from 2016 to October 2018

Unit: RMB ten thousand

		2016		2017		October 2018	
No	Item	Amount	Percentage of operating Revenue *(%)*	Amount	Percentage of operating Revenue *(%)*	Amount	Percentage of operating Revenue *(%)*
1	Interest income	–181.03	–5.77%	–78.42	–0.86%	–87.39	–0.96%
2	Interest expense	0.00	0.00%	0.00	0.00%	0.00	0.00%
3	Exchange loss	0.00	0.00%	0.00	0.00%	0.00	0.00%
4	Handling fees	8.94	0.29%	1.89	0.02%	2.11	0.02%
5	Others	0.00	0.00%	0.00	0.00%	0.00	0.00%
	Total	–172.09	–5.48%	–76.53	–0.84%	–85.28	–0.94%

As per the analysis over the data of the last three years, the percentage of operating revenue in 2016 varies significantly from that in 2017 and in October 2018, as the percentage of operating revenue in 2017 and in October 2018 are comparatively close, which is able to reflect the finance costs of the valuation target.

The principle of determining finance cost is that it is determined based the arithmetic average of the proportion of finance costs to operating revenue from October 2017 to 2018, that is –0.89%.

7. Bad debt loss and forecast

Bad debt loss is mainly the amount of bad debts provided for receivables. According to the accounting policies of the valuation target, it is provided for at 1% of new receivables (loan principal).

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.

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

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.

11. Forecast of capital expenditure

According to the analysis of existing fixed assets of the valuation target, a necessity is expected for the valuation target to update office decoration and electronic equipment in the fixed assets, and software in the intangible assets, and to purchase new vehicles in the transportation equipment. According to the valuation target, it is expected that the necessary equipment purchase and upgrade expense will be RMB500,000 and RMB385,400, respectively in 2022; the vehicle expenditure is expected to be RMB20,000 each year on average in the stable growth year; and the software purchase expenditure will be approximately RMB8,300 in 2020.

12. Increase or decrease in interest-bearing liabilities

While its business needs are met, that is, the valuation target has sufficient liquidity in hand, it will formulate a corresponding borrowing and repayment plan to maximize benefits. Taking into account the valuation target's slow future business growth, rising financing cost and sufficient internal liquidity, the valuation target will reduce external financing according to specific circumstances, so that its interest-bearing debts are expected to decline.

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. In light of the valuation target's working capital and its forecast of the financing plan, it is noted from the valuation target that 15% of the annual increase in financing amount is expected to be reduced each year, being the reduced amount of interest-bearing liabilities.

13. Forecast of increase in working capital

The increase in working capital represents the operating capital that the valuation target 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 valuation target's ability to operate on a going concern basis.

Current assets — current liabilities = net working capital

Increase in working capital = working capital over the current period — working capital over the previous period

14. Forecast of free cash flow of equity in future years

The free cash flow of equity of the valuation target in future years is arrived 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

		Forecast Data						
Line	**Item/Year**	**November to December 2018 Before adjustment**	**2019 Amount**	**2020 Amount**	**2021 Amount**	**2022 Amount**	**2023 Amount**	**Stable growth year Amount**
1	I. Operating revenue	2,009.12	12,572.23	13,113.92	13,477.78	13,851.97	14,098.26	14,098.26
2	Less: operating cost	712.85	4,401.12	4,621.18	4,759.82	4,902.61	5,000.66	5,000.66
3	Business taxes and surcharges	3.78	23.65	24.66	25.35	26.05	26.52	26.52
4	Sales expense	41.82	274.04	299.43	322.38	347.09	370.10	370.10
5	Administrative expenses	195.21	1,256.23	1,347.97	1,446.80	1,553.72	1,668.99	1,668.99
6	Finance cost	–17.89	–111.92	–116.74	–119.98	–123.31	–125.50	–125.50
7	Impairment loss of assets	—	719.60	755.58	764.51	787.45	795.77	795.77
8	Add: gains from changes in fair value	—	—	—	—	—	—	—
9	Investments income	—	—	—	—	—	—	—
10	Including: investments income from associates and joint venture	—	—	—	—	—	—	—
11	II. Operating profit	1,073.35	6,009.51	6,181.83	6,278.90	6,358.36	6,361.73	6,361.73
12	Add: non-operating revenue	—	—	—	—	—	—	—
13	Less: non-operating expenses	—	—	—	—	—	—	—
14	Including: loss from disposal of non-current assets	—	—	—	—	—	—	—
15	III. Total profit	1,073.35	6,009.51	6,181.83	6,278.90	6,358.36	6,361.73	6,361.73
16	Less: income tax expenses	268.34	1,502.38	1,545.46	1,569.73	1,589.59	1,590.43	1,590.43
17	IV. Net profit	805.01	4,507.13	4,636.37	4,709.18	4,768.77	4,771.29	4,771.29
18	Add: depreciation and amortization	3.85	23.10	23.10	14.54	20.54	20.54	20.54
19	Add: increase or decrease in interest-bearing liabilities	—	–842.00	–884.00	–557.00	–574.00	–394.00	—
20	Less: increase in operating cash	–231.99	–318.67	–377.45	–440.35	–507.61	–579.48	—
21	Less: capital expenses (additional capital)	—	—	—	0.83	88.54	—	2.17
22	V. Free cash flow	1,040.85	4,006.90	4,152.92	4,606.23	4,634.38	4,977.32	4,789.67

(II) Determination of the discount rate

1. Definite risk-free rate of return rf

According to the China Central Depository & Clearing Co., Ltd., the return rate of equity over a 50-year standard period is 4.177% on the valuation date, which is rounded to 4.18%. In this valuation, such return rate is taken as a risk-free rate of return.

2. Definite market return rate rm

We have collected the annual indices of above two stock exchanges from 1991 to 2017 to calculate the annual rate of return of the SSE Composite Index and the SZSE Component Index, respectively. Since geometric mean can more appropriately reflect the annual average rate of return indicator, we use the geometric mean to determine that rm equals 9.80% based on the weighted average of capitalization proportion of the two stock markets as at the valuation date.

3. βe value

β 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. β 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 financing 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. However, in view that Jiangsu Financial Leasing (600901.SH) was listed in March 2018 with a significant pricing movement over the last six months due to its new listing, and there is only six-month information about pricing for our consideration, it is inappropriate to serve as a sample representing the volatility of the leasing industry and the overall market.

According to the above principles, there is one listed company that can be regarded as comparable company:

No.	Stock code	Stock short name	Beta
1	000415	Bohai Leasing	0.7933

4. *Specific risks of the valuation target* ε

Specific risks of the valuation target = operating risks + market risks + management risks + financial risks

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

Category	Return rate	Description
Operating risks	1%	Operational 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. Due to the change in the shareholding structure after the valuation target's capital increase and share expansion, the stability of the management personnel is unknown, which leads to certain operational risk.
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.

Category	Return rate	Description
Management risks	1%	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. However, as the valuation target has been established for only 3 to 4 years, it takes time to train the managers at each level.
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 valuation target's specific risks ε is valued at 4% 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):

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

$$= 4.18\% + 0.7933 \times (9.8\% – 4.18\%) + 4\%$$

$$= 12.64\%$$

(III) Valuation of the Total Shareholders' Equity

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

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

Where:

EV- Valuation of the Total Shareholders' Equity;

R_e- Return rate of equity;

$FCFE_t$-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:

Unit: RMB ten thousand

		Forecast data						
Line No.	Item/Year	November to December 2018 Before adjustment	2019 Amount	2020 Amount	2021 Amount	2022 Amount	2023 Amount	Stable growth year
1	Free cash flow	1,040.85	4,006.90	4,152.92	4,606.23	4,634.38	4,977.32	4,789.67
2	Discount period	0.25	1.25	2.25	3.25	4.25	5.25	5.25
3	Discount rate				12.64%			
4	Present value of free cash flow	1,010.33	3,452.97	3,177.21	3,128.56	2,794.46	2,664.46	20,284.87
5	Total present value of free cash flow				36,512.86			

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 RMB365,128,600.

(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

The monetary capital of the valuation target on the valuation date is RMB299,995,461.99.

Taking into account the comprehensive analysis and calculation of the valuation target's operating costs, sales expenses, management fees and taxes, the minimum cash holdings calculated as at the valuation date are RMB294,637,200.

The difference between the monetary capital and the minimum cash holdings on the valuation date is approximately RMB5,358,300. The amount of the minimum cash holdings in the valuation target is relatively large with a ratio of difference between the both of approximately 1.8%, which is relatively low. 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 valuation target for normal business operations, that means the valuation target has no excess monetary capital as at the valuation date.

Excess monetary capital = RMB nil.

3. Non-operating liabilities

After conducting inventory and analysis of the breakdown of various assets, 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

Item	Amount
7. Present Value of Free Cash Flow	36,512.86
Add: Non-operating assets	0
Add: Excess assets	0
Add: Capital injection — Long-term	0
Add: Held-to-maturity investment	0
Add: Deferred income tax assets	0
Less: Non-operating assets and liabilities, net	0
Less: Deferred income	0
8. Total Shareholders' Equity	36,512.86

VIII. IMPLEMENTATION PROCESS AND STATUS OF VALUATION PROCEDURES

The valuation of this project began on 31 December 2018, and ended on 16 February 2019. The entire valuation was carried out in four stages:

(I) Valuation preparation stage

1. A clarification of the valuation items, and the preparation of the valuation plan.

After accepting the project engagement, communicate with the Client to understand the basic items of the valuation project, plan the valuation work, and formulate the valuation plan.

2. Provide and Submit Materials List

According to the characteristics of the valued assets, submit the targeted due diligence investigation materials list and the valuation statement of assets and liabilities; then the valuation target shall be required to prepare for the valuation.

3. Form-Filling Assistance

Contact the relevant staff of the valuation target, arrange for and counsel them to assess the requirements of the valuation statement application form and the information necessary for the valuation.

(II) Due Diligence Investigation On-Site Valuation Stage

1. Review & Investigate Information

Review and identify the reporting materials provided by the valuation target, and check the data with the relevant financial records of the organization, make adjustments to any problems found in coordination with the valuation target.

2. Site Survey and Important Inventory

Verify and make a record of the implicated assets of the valuation target, the place of operations of the valuation target, and perform a detailed investigation and make close records of the important assets.

3. Due Diligence Investigation Interview

According to the future development plan, profit forecast and other application materials provided by the valuation target, trying to reach a consensus with the consensus of the valuation target in their industry history and future development trends through forums, seminars and telephone interviews.

4. Determine the valuation method and method

Determining. The specific model and method of valuation according to the actual situation and characteristics of the valuation target.

5. Valuation and estimation

According to the determined valuation method and method, measuring the valuation results of the valuation target, and drafting related valuation instructions.

(III) Valuation and summary stage

Summarizing and analysing, making necessary adjustments, amendments and improvements to the valuation results, determining the preliminary valuation conclusions of assets according to the preliminary work results, drafting a valuation report, and submitting the valuation report to the company for internal review.

(IV) Valuation report submitting stage

On the basis of completing the above work, exchanging views of the valuation results with the client without affecting the valuation conclusions independently formed by the valuation agency 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.

IX. VALUATION ASSUMPTIONS

(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 valuation target as the valuation target. In the assumption, the valuation target 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 valuation target 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 valuation target are basically in line with the actual situation.

6. Make necessary analysis, judgment and adjustment of the future revenue forecast of the valuation target 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 valuation target'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 10 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 10 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 valuation target. 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 above valuation assumptions assume the set conditions of use of the assets, market conditions, etc., which have a material impact on the appraised value. When the above assumed conditions are changed, the valuation conclusion will generally be invalidated.

X. CONCLUSION OF THE VALUATION

(I) Conclusion of the Valuation and Analysis

As at 31 October 2018 (the valuation date), the audited book value of the total assets of the valuation target was RMB1,700,745,600, the book value of the total liabilities was RMB1,347,000,300, and the book value of the net assets was RMB353,745,300. The asset-based approach (cost method) and the income approach are employed for this valuation.

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

The appraised value of the total assets is RMB1,709,124,200, the appraised value of the total liabilities is RMB1,347,000,300, and **the appraised value of the Total Shareholders' Equity is RMB362,123,900 (in words: RMB Three Hundred Sixty-Two Million One Hundred Twenty-Three Thousand Nine Hundred), with an incremental value of RMB8,378,600 or 2.37%.**

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

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

Unit: RMB ten thousand

	Items	Book Value A	Appraised Value B	Increase or Decrease C = B-A	Incremental rate % D = C/A × 100%
1	Current assets	124,622.23	125,343.52	721.29	0.58%
2	Non-current assets	45,452.33	45,568.90	116.57	0.26%
3	Of which: Available-for-sale financial assets	—	—	—	—
4	Held-to-maturity investments	—	—	—	—
5	Long-term receivables	45,020.95	45,490.14	469.19	1.04%
6	Long-term capital injection	—	—	—	—
7	Investment properties	—	—	—	—
8	Fixed assets	47.02	47.20	0.18	0.38%
9	Construction in progress	—	—	—	—
10	Construction materials	—	—	—	—
11	Disposal of fixed assets	—	—	—	—
12	Productive biological assets	—	—	—	—
13	Oil and gas assets	—	—	—	—
14	Intangible assets	0.36	0.36	—	—
15	R&D expenses	—	—	—	—
16	Goodwill	—	—	—	—
17	Long-term deferred expenses	31.20	31.20	—	—
18	Deferred income tax assets	352.79	—	–352.79	–100.00%
19	Other non-current assets	—	—	—	—
20	**Total assets**	170,074.56	170,912.42	837.86	0.49%
21	Current liabilities	98,117.13	98,117.13	—	—
22	Non-current liabilities	36,582.90	36,582.90	—	—
23	**Total Liabilities**	134,700.03	134,700.03	—	—
24	**Net assets (owner's equity)**	35,374.53	36,212.39	837.86	2.37%

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

(1) Analysis on the reason for the increase in accounts receivable: After all receivables are verified to be accurate, the appraised value is determined based on each recoverable amount of the accounts receivable. This valuation evaluated the value of accounts receivable according to the actual bad debts of accounts receivable. As allowance is provided for bad debts of each of the accounts receivable in the audit report, there is an increase in value.

(2) Analysis on the reason for the increase in Non-current liabilities due within one year: The lease payment due within one year is the rental receivable for the finance lease project currently being performed by the valuation target. The valuers checked the relevant finance lease contracts and the original accounting documents, and verified the authenticity and accuracy of the accounting contents relating to long-term receivables to determine the appraised value on the basis of the verified long-term receivables within one year. This valuation evaluates the value of non-current assets due within one year based on the actual bad debts of non-current assets due within one year. As allowance is provided for bad debts of each non-current asset due within one year in the audit report, there is an increase in value.

(3) Analysis on the reason for the increase in long-term receivables: The long-term receivables falling into the scope of valuation is the rental receivable for the finance lease project currently being performed by the valuation target. The valuers checked the relevant finance lease contracts and the original accounting documents, and verified the authenticity and accuracy of contents relating to the long-term receivables. The estimated risk of loss is assessed using methods identified case by case for long-term receivables. The estimated risk of loss is determined with the aforesaid criteria and then the appraised value is determined by deducting the estimated risk of loss from the long-term receivable. As allowance is provided for bad debt of each long-term receivable in the audit report, there is an increase in value.

(4) Analysis on the reason for the increase in fixed assets: After re-evaluation, the cost method is employed for the replacement cost of fixed assets such as machinery and equipment, 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 and the insignificant change in their replacement cost.

(5) 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.

(6) Analysis on the reason for the decrease in deferred income tax assets: Deferred income tax assets are generated from impairment allowance for assets which is assessed to be zero in this valuation, so there is a decrease in value.

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 RMB365,128,600 (In words: RMB Three Hundred Sixty-Five Million One Hundred Twenty-Eight Thousand Six Hundred), with an incremental value of the appraised value over the book value of net assets of RMB11,383,300 or 3.22%.

Total Shareholders' Equity Valuation Table

Unit: RMB ten thousand

Items	Amount
7. Present Value of Free Cash Flow	36,512.86
Add: Non-operating assets	0
Add: Surplus assets	0
Add: Value of long-term capital injection	0
Add: Value of held-to-maturity investment	0
Add: Deferred income tax assets	0
Less: Non-operating assets and liabilities, net	0
Less: Deferred income	0
8. Total Shareholders' Equity	36,512.86

(II) Explanation on The Selection of Valuation Results

The difference in the valuation conclusion between the asset-based approach and the income approach is RMB3,004,700, and the difference rate is 0.83%. 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 valuation target's assets and cannot fully and reasonably embody the comprehensive profitability of each assets and the growth potential of the valuation target, and cannot cover the value of intangible assets such as contract performance, customer resources, goodwill, and human resources.

The income approach is to evaluate the value of the valuation target 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 valuation target 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 by 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 and considering the target of this asset valuation, 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 valuation target 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 RMB365,128,600 (In words: RMB Three Hundred Sixty-Five Million One Hundred Twenty-Eight Thousand Six Hundred), with an incremental value of the appraised value over the book value of net assets of RMB11,383,300 or 3.22%.**

(III) Conditions for Conclusion of the Valuation

1. The assets of the valuation target 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 valuation target's Total Shareholders' Equity on the valuation date, which are expressed for your reference in relation to the valuation purpose set out in this report.

3. The results of this valuation report reflect the market value of the subject of the valuation 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 appraisal 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 valuation target 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.

XI. NOTES ON SPECIAL MATTERS

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

(I) According to the statement of the valuation target Guangdong Yaoda Financial Leasing Company Limited, it is satisfied that there is no defective title in the assets involved in the valuation.

(II) As at 31 October 2018, 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:

Item	Book value as at 31 October 2018 1	Audited amount after Asset and Capital Verification as at 31 October 2018 2	Increase or decrease(±) 3=2–1
Total assets	1,687,671,491.89	1,700,745,624.24	13,074,132.35
Total liabilities	1,335,367,079.86	1,347,000,273.50	11,633,193.64
Total owner's equity	352,304,412.03	353,745,350.74	1,440,938.71

(III) According to the statement of the valuation target Guangdong Yaoda Financial Leasing Company Limited, it is satisfied that there is no uncertain factor such as outstanding matters, contingent matter and legal dispute relating to the assets and liabilities involved in the valuation.

(IV) This valuation report does not take into account the impact on the value of the valuation target caused by the possible premium or discount due to having or lacking control.

(V) The valuation does not take into account the impact on the valuation results caused by the tax adjustment due to the increase or decrease in appraised values of assets.

(VI) Mortgage and guarantees: The valuation target had 29 short-term loans on the valuation date, totalling RMB321,201,945.38; 35 long-term loans, totalling RMB365,656,285.13; 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.

(VII) The conclusion of this valuation report can only be used by the client for the above valuation purpose. It is the responsibility of the valuers to express their professional opinions on the value of the assets for the purpose of this valuation. The valuation report issued by the valuers and their valuation agency does not represent any judgment over the economic behavior associated with the purpose of valuation.

(VIII) The historical financial data and future forecast data used in this valuation are all based on the data provided by the valuation target. The asset valuers make their professional judgment on the basis of due diligence. The rationality of the professional judgment made by the valuers and their valuation agency will have a certain impact on the valuation results.

(IX) According to the statement of the valuation target Guangdong Yaoda Financial Leasing Company Limited, it is satisfied that no material subsequent matters are required to be disclosed after the valuation date and before the issue of the valuation report.

(X) Different data of assets and financial position indicators may cause changes to the appraised value, which is hereby brought to the attention of the report users.

XII. STATEMENT OF LIMITATIONS ON THE USE OF THE VALUATION REPORT

(I) The valuation report and its valuation conclusion are to be used only for the valuation purpose and usage as set out in this valuation report and for submission to the competent assets valuation authority for review and filing, and become void if used for any other purpose.

(II) The valuation report and its valuation conclusion are only to be legally used by the client and other users of the report identified in this valuation report during the effective term of the valuation report; No other third party shall use or rely on this report; we do not assume any liability for consequences caused by improper use of this valuation report and its valuation conclusion by any company or individual.

(III) Unless otherwise required by the laws and regulations and agreed upon by parties, the right to use this valuation report is owned by the client; the whole or part of this valuation report may only be extracted, quoted or disclosed in the public media with the valuation agency's written consent after reviewing the related contents.

(IV) This valuation report is valid for use for one year from the valuation date, being from 31 October 2018 to 30 October 2019. Should there be any material change to the status of the assets and market conditions as compared to those as at valuation date, the client shall engage a valuation agency to appraise the business update or conduct re-evaluation.

XIII. DATE OF VALUATION REPORT

The date of the valuation report is 16 February 2019.

(This page is for signature only)

XIV. STAMP OF VALUATION AGENCY AND SIGNATURE OF ASSET VALUERS

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 (authorized representative): Yin Pengqiang (尹鵬強)

Asset valuer: Chen Jinwen (陳錦文)

Asset valuer: Lu Jianping (路劍平)

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 BDO China Shu Lun Pan Certified Public Accountants LLP (Report No.: Xin Kuai Shi Bao Zi [2019] No. ZC30001) (《關於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：信會師報字[2019]第 ZC30001號));

6. Business License of the valuation target (copy);

7. Letter of Undertaking from the valuation target (copy);

8. Related Title Materials;

9. Letter of Undertaking from the Asset Valuers;

10. Business License of the Asset Valuation Agency (copy);

11. Qualification certificate of the Asset Valuation agency (copy);

12. 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:

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

(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[1]	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total share capital of the Company[3]
Mr. Zhang Deben	Director	Beneficial owner	212,000 Domestic Shares (L)	0.02%	0.01%
Mr. Huang Guoshen	Director	Beneficial owner	41,760,000 Domestic Shares (L)	4.15%	2.68%
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[1]	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total share capital of the Company[3]
Lo Kai Bong[4]	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[6]	164,164,000 H Shares (L)	29.61%	10.52%
	Beneficial owner	239,854,838 Domestic Shares (L)	23.83%	15.37%

Name of Shareholder	Nature of Interest	Number and class of Shares(1)	Approximate percentage of shareholding in the relevant class of Shares(2)	Approximate percentage of shareholding in the total share capital of the Company(3)
	Interest of controlled corporation(5)	33,002,680 Domestic Shares (L)	3.28%	2.11%
Fojin HK(6)	Beneficial owner	164,164,000 H Shares (L)	29.61%	10.52%
Hong Kong Wellknown Development Limited ("**Hong Kong Wellknown**")(7)	Beneficial owner	52,450,000 H Shares (L)	9.46%	3.36%
Dragon Pearl Hong Kong Investment Development Limited ("**Dragon Pearl**")(8)	Beneficial owner	59,804,000 H Shares (L)	10.79%	3.83%
Wu Zhi Jian ("**Mr. Wu**")(9)	Interest of controlled corporation	83,998,000 H Shares (L)	15.15%	5.38%

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 1 April 2019, Hong Kong Wellknown is wholly-owned by Dragon Pearl, which is in turn wholly-owned by Mr. Wu as at 29 March 2019;

(8) Based on the disclosure of interests form submitted by Dragon Pearl on 10 April 2019, Dragon Pearl is wholly-owned by Mr. Wu as at 9 April 2019; and

(9) Based on the disclosure of interests form submitted by Mr. Wu on 3 May 2019, Mr. Wu is interested in 83,998,000 H Shares in aggregate through corporation(s) controlled by him as at 30 April 2019.

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 2018 (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 2018, 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:

Name	Qualification
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) ("**Guangdong Jingxin**")	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 16 February 2019 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 9 May 2019 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 22 February 2019 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 2018 (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 Capital Injection Agreement;

(b) the letter from the Independent Board Committee as set out on pages 24 to 25 of this circular;

(c) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders as set out on pages 26 to 37 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 22 February 2019 as set out on pages 38 to 40 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 5/F, Building D, Sino-European Service Center, South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, 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 forms shall prevail over the Chinese text.