



中国信贷
CREDIT CHINA

Credit China Holdings Limited
中國信貸控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8207

PLACING

Sole Sponsor



光大控股
EVERBRIGHT

China Everbright Capital Limited

Sole Bookrunner and Sole Lead Manager



光大控股
EVERBRIGHT

China Everbright Securities (HK) Limited

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Credit China Holdings Limited
中國信貸控股有限公司
(incorporated in the Cayman Islands with limited liability)

**LISTING ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF PLACING**

- Number of Placing Shares** : 400,000,000 Shares
- Placing Price** : Not more than HK\$0.78 per Share and expected to be not less than HK\$0.68 per Share, payable in full upon application, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%
- Nominal Value** : HK\$0.10 each
- Stock Code** : 8207

Sole Sponsor



China Everbright Capital Limited

Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Placing Price is expected to be fixed by agreement between the Company and the Sole Lead Manager (on behalf of the Underwriters) on the Price Determination Date, which is currently scheduled on 15 November 2010. The Placing Price will not be more than HK\$0.78 and is expected to be not less than HK\$0.68 per Share. If the Company and the Sole Lead Manager (on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by that date or such later date as agreed by the Company and the Sole Lead Manager (on behalf of the Underwriters), the Placing will not become unconditional and will not proceed.

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreement to subscribe for and to procure placees for the subscription for the Placing Shares, are subject to termination by the Sole Lead Manager (on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting – Grounds for Termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

15 November 2010

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

EXPECTED TIMETABLE

(Note 1)

Price determination on (Note 2)	15 November 2010
Announcement of the Placing Price and the level of indication of interest in the Placing to be published on the GEM Website at www.hkexnews.hk and the Company's website at www.creditchina.hk on or before	18 November 2010
Allotment of the Placing Shares to placees (or their designated person(s)) on or before.	18 November 2010
Deposit of Share certificates into CCASS on or before (Note 3)	18 November 2010
Dealings in the Shares on GEM to commence at 9:30 a.m. on	19 November 2010

Notes:

1. All times and dates refer to Hong Kong local time and dates.
2. The Price Determination Date is expected to be on 15 November 2010. If for any reason, the Placing Price is not agreed on that date, or such later date as agreed by the Company and the Sole Lead Manager (on behalf of the Underwriters), the Placing will not become unconditional and will not proceed.
3. The Share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters and/or the placing agents. Share certificates for the Placing Shares to be distributed via CCASS will be deposited into CCASS on or about 18 November 2010 for credit to the respective CCASS participant's stock accounts designated by the Underwriters, the placing agents, the placees or their agents, as the case may be. We will not issue any temporary documents of title.
4. If there is any change to the above expected timetable, we will make appropriate announcement at the GEM Website.
5. All Share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its term prior to 8:00 a.m. Hong Kong time on the Listing Date.

Details of the structure of the Placing, including the conditions thereto, are set out in the section headed "Structure of the Placing" in this prospectus.

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You should rely only on the information contained in this prospectus to make your investment decision. The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Lead Manager, any of the Underwriters, any of their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the Placing.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

We are a short-term financing service provider in Shanghai, and provide secured financing and related consultancy services. Providing customers with convenient and quick access to short-term finance with a repayment period of less than six months (for each loan transaction but subject to renewal), we are an alternative and complement to China's traditional banking system. Our focus is to offer financing consultancy services and short-term real estate pawn loans and entrusted loans to SMEs and individuals. We commenced our entrusted loan operation in late 2009. We also offer short-term personal property pawn loans to individuals with personal property (including, but not limited to, jewellery and watches) as collateral.

We grant collateral-backed loans in respect of assets that can be easily identified, accurately valued and legally charged. In most cases, we accept real estate (including buildings and land use rights) as collateral from SMEs and individuals. Since our focus is on short term secured financing, we do not grant loans with terms longer than six months. We recognise the importance of internal control and risk management for the smooth running of our business. To minimise and manage risks, we conduct credit checks on borrowers through searches of PBOC credit reports and searches in the Shanghai Real Estate Trading Center (上海市房地產交易中心) and the national court website to check whether the customer is subject to enforcement proceedings. In order to further manage our risks, we also engage an independent professional appraiser for valuation where necessary and keep our loan-to-value ratio at approximately 40-60%. For corporate customers, we will also inspect the customer's accountant's report for the previous financial year and monthly financial statements, and the customer's most recent annual tax return and quarterly tax return.

As part of our continuing development of our short-term financing services, in addition to our pawn loan operations, we have commenced our entrusted loan operation in late 2009. We have historically conducted our secured short-term financing services, namely real estate pawn loans and entrusted loans, by Shanghai Yintong and the Structure Contracts were entered into in order for our Group to manage and operate the secured short-term financing business of Shanghai Yintong. The funding for loans advanced through entrusted loans are based on available funds for secured short-term financing services. As loans advanced through entrusted loans are not restricted to PRC domestic entities, Shanghai Yintong had assigned the creditor's rights over all entrusted loan balances to Lucky Consultants at the consideration on a dollar-to-dollar basis as at the Latest Practicable Date, and we shall conduct all new entrusted loans by our Group's companies other than Shanghai Yintong upon the Listing. The PRC Legal Adviser has advised that the PRC laws do not place any restriction on the maximum amount of loans that may be provided through entrusted loans. We have conducted our entrusted loan operation according to laws and regulations of the PRC in order to increase the aggregate amount of loans which could be advanced by us. In accordance with our internal guidelines, for loan application greater than RMB10 million by the same customer, we shall process such application through an entrusted loan arrangement.

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Financial consultancy services are also an integral part of our business. Lucky Consultants specialises in understanding the needs and financial background of customers and uses our expertise in the industry to find the required loan for them. For qualified customers, Lucky Consultants will refer them to our Group for financing and our consultancy fee is based on our success in securing the required loan.

While commercial banks usually have lengthy and complicated approval processes which can take more than one month for loan applications, many SMEs and individuals with debt-free assets are not able to obtain a short term loan to meet their immediate liquidity needs. Therefore, strong demand exists for our business. In most cases, with all our loan application conditions satisfied, we are able to approve and grant short term loans to SMEs and individuals within two to seven days.

We are in a business market with growing demand for short-term funding. Our business has benefited from commercial banks implement relatively rigorous credit approving policies to SMEs. Many companies who failed to obtain financing from banks have turned to us for short-term financing to meet their immediate needs. With the demand from a growing customer base, we plan to expand our business in order to meet the growing needs of customers in other cities of the PRC.

We have obtained the Money Lenders Licence to commence money lending business in Hong Kong and we have also obtained the necessary licences to establish a loan guarantee business in Jiangsu Province.

During the Track Record Period, all of our customers were SMEs, proprietors of SMEs or individuals. Some of our largest pawn loan customers over the Track Record Period included an electronics manufacturer and property developers with loan amounts ranging from RMB9.8 million to RMB45 million. Our entrusted loan customers over the Track Record Period also include property developers and property management company with loan amounts ranging from RMB10 million to RMB75 million. During the Track Record Period, there has been only one customer who had both an outstanding real estate pawn loan and an outstanding entrusted loan; and there were nine customers who had taken both our financial consultancy service and an outstanding entrusted loan. For customers who engage our financial consultancy service and require a loan greater than RMB10 million, Lucky Consultants will refer the qualified customers for entrusted loans. Accordingly, most of our entrusted loan customers during the Track Record Period have also engaged our financial consultancy service. If the customers wish to renew the loan for an extended period, we will extend our financial consultancy service for a service fee calculated based on the outstanding loan amount as at the renewal date and the extended loan period. Of the major customers of our Group, many of them have been referred to us by Lucky Consultants through their good relationship with existing customers and its established reputation in the market. The relevant consultancy fees obtained vary from 0.5% to 2.5% of the loan amount. The consultancy fee charge is calculated on a case-by-case basis and subject to commercial negotiation taking into account but not limited to the length of consultancy service required, financial background of the customer and the amount of consultancy and follow-up work needed. To the best knowledge of our Directors, the usages of funds by our customers typically vary from renovation of property to repayment of bank loan.

In recent years, the State Council has issued austerity measures on the PRC residential property sector, including the Notice on Firmly Preventing Property Prices from Increasing to Rapidly in Certain Cities (國務院關於堅決遏制部分房價過快上漲的通知) (the “**State Council Notice**”), and many local governments including Shanghai, Zhejiang and Jiangsu have also implemented major controlling policies, pursuant to which, among other things:

- (I) the minimum first instalment for second home purchases has been raised to 50% and a minimum 30% first instalment on first homes with a GFA of more than 90 square metres has been set;

SUMMARY

- (II) relevant tax policies to preset the land value-added tax according to the market price of individual properties shall be strictly enforced;
- (III) the supply of land for residential properties has been increased;
- (IV) real estate developers must implement clear pricing methods; and
- (V) in Shanghai, the number of new home purchases has been restricted to one per family, and banks have been prohibited from providing family residential housing mortgages for the purchase of a family's third or subsequent home.

The State Council Notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of PBOC benchmark lending rate; and interest rates for mortgage loans and minimum first instalments for third or subsequent homes shall be increased substantially. Our Directors believe the PRC Government's keynote for regulating the housing market in 2010 is to stabilise the market. Therefore, our Directors believe that the PRC Government would sustain a steady housing price with reasonable transaction volume. Nonetheless, our Directors believe the notice in controlling the properties price has little effect on our business because we take a conservative approach in our valuation and our low loan-to-value ratio enable us to maintain a stable operation and not be the subject of short term fluctuation in properties price.

Our Group's financial consultancy service turnover increased considerably from approximately RMB0.39 million for the seven months ended 31 July 2009 to RMB28.47 million for the seven months ended 31 July 2010. As our Group gained reputation in the local market, notwithstanding the limitation on the amount of real estate pawn loans to be advanced by our Group, Lucky Consultants expanded its financial consultancy business by referring loan services to other Independent Third Parties for a consultancy fee. The significant increase in the financial consultancy service turnover is attributed to the expansion and positioning of Lucky Consultants in particular. In late 2009, Lucky Consultants began referring customers to Shanghai Yintong for entrusted loans and because the size of entrusted loans are substantially larger than pawn loans, our income generated from entrusted loans had also increased substantially as a result. In addition, Lucky Consultants had also began referring customers to other Independent Third Party lenders from 2010 and had received approximately RMB6.1 million of financial consultancy service income. The average rate of consultancy fee charged by Lucky Consultants had increased from 0.54% for the seven months ended 31 July 2009 to 1.60% for the seven months ended 31 July 2010, and the balance of customers were also increased from RMB75 million as at 31 July 2009 to RMB242 million as at 31 July 2010, respectively for the same period due to the increase in loan balance.

Our turnover for the two years ended 31 December 2009 and the seven months ended 31 July 2010 was approximately RMB12.39 million, RMB30.45 million and RMB53.59 million, respectively, and our profit attributable to owners of our Company during the same periods was approximately RMB3.69 million, RMB15.55 million and RMB31.17 million, respectively.

SUMMARY

The following table sets out our Group's turnover breakdown by category during the Track Record Period:

	Year ended 31 December		Seven months ended 31 July	
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i>
Interest income				
Real estate pawn loans service income				
– Administration fee income ⁽¹⁾	8,797	19,282	5,786	4,466
– Interest income ⁽²⁾	2,183	9,983	1,982	668
Entrusted loans service income				
– Administration fee income ⁽¹⁾	–	58	–	4,996
– Interest income ⁽²⁾	–	107	–	14,914
Personal property pawn loans service income				
– Administration fee income ⁽¹⁾	281	164	99	76
– Interest income ⁽²⁾	26	18	10	7
	11,287	29,612	7,877	25,127
Financial consultancy service income⁽³⁾	1,098	834	389	28,465
Turnover	12,385	30,446	8,266	53,592

Notes:

- (1) Calculated based on the administration fee collected as stipulated under the loan contracts including renewed loans carried over from the previous year.
- (2) Calculated based on the interest collected as stipulated under the loan contracts including renewed loans carried over from the previous year.
- (3) Calculated based on the financial service fee collected by Lucky Consultants as stipulated under the financial service contracts including renewed loans carried over from the previous year.

The following table sets out our Group's loan receivables balance during the Track Record Period:

	As at 31 December		As at ended 31 July
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Loan receivables balance			
Pawn loans to customers	31,234	31,043	28,898
Entrusted loans to customers	–	101,000	213,500

SUMMARY

The tables below summarise the detail of loans we have entered into that are secured by real estate collateral during the Track Record Period.

Real-estate pawn loans

	Year ended 31 December		Seven months
	2008	2009	ended 31 July 2010
No. of new loans	68	59	35
Average size of loan (<i>RMB</i>)	683,382	4,451,186 [#]	1,254,000
Average loan-to-value ratio (%)	23.84	39.89	29.27
No. of loans with surety (<i>No. of loans</i>)	18	12	1
Average surety ratio (%) ⁽¹⁾	26.47	20.34	2.86
Average loan repayment period (<i>No. of months</i>) ⁽²⁾	5.57	3.58	3.87
No. of loans renewed (<i>No. of loans</i>)	54	36	19
No. of loans renewed ratio (%)	79.41	61.02	54.29

Notes:

(1) Number of loans with surety over the number of new loans in a calendar year.

(2) The calculation of average loan repayment period does not include defaulted loans, but includes renewed loans.

[#]: Including loans which have not fully complied with the Pawning Measures and/or the Judicial Interpretation of the Supreme Court. The business scale of Shanghai Yintong was small when it commenced business in 2003 and given the rapid expansion of the short-term financing market from 2005 to 2009 Shanghai Yintong did not have sufficient human resources to cope with such expansion. It therefore focused on its risk management rather than compliance. In 2009, there had been 36 real estate pawn loans which had not fully complied with the Pawning Measures, and three real estate pawn loans which had not fully complied with the Judicial Interpretation of the Supreme Court. Rectification measures have been taken by Shanghai Yintong in regard to the non-compliances, details of which are disclosed” in the section headed “Business – Legal Proceedings and Compliance - Compliance” of this prospectus.

Entrusted loans

	Year ended	Seven months
	31 December 2009	ended 31 July 2010
No. of new loans	4	6
Average size of loan (<i>RMB</i>) ⁽¹⁾	25,250,000	32,916,667
Average loan-to-value ratio (%)	23.28	19.25
No. of loans with surety (<i>No. of loans</i>)	2	5
Average surety ratio (%) ⁽²⁾	50.00	83.33
Average loan repayment period (<i>No. of months</i>) ⁽³⁾	5.75	4.00
No. of loans renewed (<i>No. of loans</i>)	3	3
No. of loans renewed ratio (%)	75.00	50.00

Notes:

(1) The size of entrusted loans is mainly contributed by our corporation customers with commercial real estate ranging from, approximately 900 sq.m. to 167,000 sq.m. in floor space. For the Track Record Period, our entrusted loan customers comprised of five real estate developers, four property related enterprises and one electronics manufacturer with annual revenue ranging from RMB4.1 million to RMB136.6 million for the year 2009.

(2) Number of loans with surety over the number of new loans in a calendar year.

(3) The calculation of average loan repayment period does not include defaulted loans, but includes renewed loans.

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The table below summarises the details of loans we have entered into that are secured by personal property during the Track Record Period.

Personal property pawn loans

	Year ended 31 December		Seven months
	2008	2009	ended 31 July 2010
No. of new loans	337	256	146
Average size of loan (<i>RMB</i>)	3,433	3,586	4,069
Average loan-to-value ratio (%)	65.03	61.90	59.82
No. of loans with surety (<i>No. of loans</i>)	0	0	0
Average surety ratio (%) ⁽¹⁾	N/A	N/A	N/A
Average loan repayment period (<i>No. of months</i>) ⁽²⁾	4.5	3	1.6
No. of loans renewed (<i>No. of loans</i>)	206	149	61
No. of loans renewed ratio (%)	61.1	58.2	41.8

Notes:

- (1) Number of loans with surety over the number of new loans in a calendar year.
- (2) The calculation of average loan repayment period does not include defaulted loans, but includes renewed loans.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows, each of which is discussed in details in the section headed “Business – Our Competitive Strengths” of this prospectus:

- We have a well established market position
- We provide convenient and quick access to short-term financings
- We have strong risk management with professional valuation of assets
- We have an established customer base and sales channel
- We have an experienced management team
- We adopt a successful marketing strategy

BUSINESS STRATEGIES

We will focus on the following strategies, each of which is discussed in details in the section headed “Business – Our Business Strategies” of this prospectus:

- Strengthen our position in Shanghai and expand our market into Zhejiang and Jiangsu Provinces and Hong Kong
- Diversify the nature of our services
- Possible merger and acquisition opportunities

SUMMARY

STRUCTURE CONTRACTS

Background

The pawn loan business currently engaged by Shanghai Yintong is regulated by, amongst others, the Pawning Measures. In accordance with Articles 11 and 15 of the Pawning Measures, an application for the establishment of a new pawnshop must be submitted to local commerce authorities and thereafter must undergo examination and approval by provincial level commerce authorities and finally MOFCOM before MOFCOM can issue the requisite Pawn Operations Business Licence. Likewise, Article 18 of the Pawning Measures stipulates that a transfer (or accumulated transfers) to a third party of more than 50% of the equity interests in a pawnshop must receive approval from the provincial level commerce authorities and thereafter must undergo examination and approval by MOFCOM. According to Article 71 of the Pawning Measures, rules and regulations governing the investment by foreign invested companies in pawn businesses in the PRC shall be separately announced by MOFCOM and other relevant authorities. As at the Latest Practicable Date, no relevant rules and regulations had been announced by MOFCOM or the SMCC (which is, to the best of our Directors' knowledge and as confirmed by the PRC Legal Adviser, the relevant provincial level commerce authority supervising and administering the pawn industry in Shanghai). According to the Administrative Licensing Rules of the PRC (中華人民共和國行政許可法), administrative licensing regimes may only be set up and implemented where there are established laws setting out relevant procedures, parameters, conditions and scope of administrative power. As the approval of investment in pawn business by foreign invested companies in the PRC falls under an administrative act, no approval can be granted and no licence can be issued to a foreign invested company if there are no established laws governing the investment by foreign invested companies in pawn business.

After verbal consultations with the SMCC and as advised and confirmed by the PRC Legal Adviser, we understand that the PRC governmental authorities currently may not as a matter of practice grant the Pawn Operations Business Licence to foreign invested companies. By a letter (the "**Letter**") dated 8 March 2010, the Department of Service Industry Development of the SMCC (上海市商務委員會服務業發展處) confirmed that according to the Pawning Measures and the relevant policy, they do not currently accept any application for investment in the pawn business by foreign invested companies in Shanghai.

The SMCC is comprised of a total of 19 departments, including the Department of Service Industry Development of the SMCC (上海市商務委員會服務業發展處). The Department of Service Industry Development of the SMCC is directly responsible for the implementation of the Pawning Measures through the examination, supervision, administration and guidance of the pawn industry in Shanghai and is, according to the PRC Legal Adviser, the execution department of the SMCC responsible for examination and approval of pawn business operation in Shanghai. Further it is also responsible for submitting its opinion in relation to the examination and the relevant application documents to MOFCOM, which will then issue a Pawn Operations Business Licence to pawnshops in Shanghai.

As confirmed by the PRC Legal Adviser, the Letter is issued by and stamped with the seal of the Department of Service Industry Development of the SMCC and thus the statements in the Letter should be regarded as legally and validly representing the views of the SMCC in respect of the industry supervision. With Shanghai Yintong's active discussion and consultation with the SMCC regarding, among other things, the Structure Contracts, the competent department of SMCC has confirmed that Shanghai Yintong has complied with the relevant laws and regulations and has received its support for our ongoing operations and our implementation of the Structure Contracts.

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Government's overview of the pawn industry

The Pawning Measures were issued by MOFCOM and the Ministry of Public Security. As advised by the PRC Legal Adviser and as confirmed by the Department of Market System Development of MOFCOM (商務部市場體系建設司制度處), which is the department within MOFCOM directly responsible for the governance and supervision of the pawn industry of the PRC, the governing and supervisory role of MOFCOM under the Pawning Measures does not extend to the administration or supervision of the daily control, management and business operations of an individual pawn operator. Authority for the administration, supervision and control of the pawn industry, including the preliminary examination and approval for entry into the industry, is delegated by MOFCOM to local and provincial level commerce authorities, i.e., the SMCC. The authority of the Public Security Bureau under the Pawning Measures is limited to the administration and enforcement of public security matters related to the daily operations of and pawning transactions with pawn businesses. On the basis that (i) the Structure Contracts relate to the daily control, management and business operations of Shanghai Yintong and do not involve foreign investment in Shanghai Yintong, and MOFCOM is not involved in the administration or supervision of the daily control, management and business operations of an individual pawn service provider; (ii) the SMCC is delegated the authority to control entry into, administer and supervise the pawn industry in Shanghai; (iii) the competent department of SMCC has, by means of the Letter, confirmed that currently according to the Pawning Measures and the relevant policy, they may not accept any application for investment in the pawn business by companies with foreign investment in Shanghai; (iv) during consultations with the relevant official of the Department of Market System Development of MOFCOM (商務部市場體系建設司制度處) no objections were raised as to the Structure Contracts arrangement and the proposed overseas listing of our Company; and (v) the authority of Public Security Bureau does not extend to the approval of applications for or the supervision and management of entry into the pawn industry, the PRC Legal Adviser has confirmed that the Structure Contracts arrangements do not contravene the Pawning Measures and are not subject to any examination, approval or filing from MOFCOM, and is of the opinion that it is not necessary to obtain written confirmation from MOFCOM or the Ministry of Public Security in respect of our Group's entry into the Structure Contracts and the legality of Shanghai Yintong's operations would not be negated by the consummation or otherwise of our Company's overseas listing.

Given the above, the Pawning Measures relate only to domestic investment in the pawn industry, which, as confirmed by the SMCC, in practice means Pawn Operations Business Licences may not be issued to foreign invested enterprises. Any direct or indirect acquisition by Lucky Consultants of the equity interests or assets of Shanghai Yintong would, for the purpose of the Pawning Measures and based on the relevant foreign investment laws, constitute foreign investment in the pawn industry and would render Lucky Consultants or the acquiring entity ineligible to receive a Pawn Operations Business Licence. As stated by the officer of the Department of Market System Development of MOFCOM (商務部市場體系建設司制度處), there is no impending plan to announce measures for foreign investment in the pawn industry.

Accordingly, the Structure Contracts were entered into in order for our Group to manage and operate the business of Shanghai Yintong in China, under which all the business activities of Shanghai Yintong are managed and operated by Lucky Consultants and all economic benefits and risks arising from the business of Shanghai Yintong are transferred to Lucky Consultants by means of management and operation fee payable by Shanghai Yintong to Lucky Consultants. Moreover, because Lucky Consultants was established as a wholly foreign owned enterprise prior to the promulgation of the M&A Rules, the

SUMMARY

M&A Rules would not be applicable to any acquisition by Lucky Consultants of the equity or assets of a domestic enterprise, including Shanghai Yintong. Accordingly, if measures for the foreign investment in the pawn industry were to be announced, Lucky Consultants could, in accordance with the Structure Contracts, acquire the equity interests and/or assets of Shanghai Yintong without seeking approval from MOFCOM or the CSRC under the M&A Rules. Lucky Consultants was established in Shanghai in 1998 as a wholly foreign owned enterprise and has since then been engaged in property consultancy services, enterprise management consultancy services and business management as designated by our Group. Mr. Shi was a citizen of the PRC at the time he established Shanghai Yintong through his wholly and beneficially owned company, Jinhan Investment, in June 2003. Article 2 of the Wholly Foreign Owned Equity Law (中華人民共和國外資企業法) requires that in order for a PRC company to be considered as a wholly foreign owned enterprise, the company must have been established with foreign capital. Moreover, Article 58 of the M&A Rules provides that if a Chinese natural-person shareholder of a domestic company changes his or her nationality, the enterprise nature of the company will remain unchanged. The PRC Legal Adviser has confirmed that in accordance with the relevant PRC laws, the fact that Mr. Shi has since become a citizen of Canada does not impact on the legal status of Shanghai Yintong. Accordingly, Shanghai Yintong remains a PRC domestic company and is not a foreign invested company.

Arrangements under the Structure Contracts

The following sets out a summary of the arrangements under the Structure Contracts:

- (i) Jinhan Investment, Xinrong Asset and Shanghai Yintong have engaged Lucky Consultants to manage and operate the business of Shanghai Yintong and in return, Lucky Consultants is entitled to all the revenue of Shanghai Yintong as management and operation fee after deducting all relevant costs and expenses (including taxes). Our Directors confirm that the arrangements under the Structure Contracts ensure all economic risks and benefits generated from the operations of Shanghai Yintong will flow onto Lucky Consultants and hence, our Group as a whole;
- (ii) Lucky Consultants has the exclusive option to acquire any or all of the equity interests and/or assets of Shanghai Yintong on the condition that the acquisition shall be in compliance with the relevant PRC laws and regulations;
- (iii) Lucky Consultants has the right to request for an increase in the registered capital of Shanghai Yintong by entering into entrusted loan arrangements with Jinhan Investment, Xinrong Asset and licensed banks in the PRC nominated by Lucky Consultants. Under the entrusted loan arrangements, Lucky Consultants or its affiliated companies will, through licensed banks in the PRC, advance funds to Jinhan Investment and Xinrong Asset for the sole purpose of increasing the registered capital of Shanghai Yintong;
- (iv) Jinhan Investment and Xinrong Asset have granted to Lucky Consultants a pledge over all of their respective equity interest in Shanghai Yintong for the purpose of securing the performance of the contractual obligations under the Structure Contracts; and
- (v) to ensure that Lucky Consultants retains control over Shanghai Yintong, the equity interest of Shanghai Yintong may not be transferred or otherwise disposed of by Jinhan Investment and Xinrong Asset without the written consent of Lucky Consultants.

SUMMARY

Operation of the Structure Contracts

In accordance with the Structure Contracts, Lucky Consultants can cause Jinhan Investment and/or Xinrong Asset to sell all or part of the equity interests in Shanghai Yintong to Lucky Consultants. As stated in the section headed “History and Reorganisation – Summary of the Structure Contracts”, the consideration for such transfer will be the higher of the capital investment of the relevant equity interests and the book value of the relevant equity interests. Because the equity interests of Shanghai Yintong that are held by Xinrong Asset are state-owned assets, any transfer of such equity interests must, in accordance with the State Owned Assets Law of the PRC (中華人民共和國企業國有資產法) be conducted by means of listing for sale. In the case there are competing bidders for the equity interests, Jinhan Investment is entitled to exercise a right of first refusal in accordance with the Company Law of the PRC (中華人民共和國公司法) to ensure that the equity interests are not sold to a third party. Under the Management Agreement, in the event that there exists a third party bidder for the equity interests in Shanghai Yintong held by Xinrong Asset, Jinhan Investment shall use its best endeavours to exercise its right of first refusal to purchase such interests, after which Lucky Consultants shall have an exclusive option to purchase the same at book value or investment cost from Jinhan Investment, whichever is the higher. Any such exercise of the right of first refusal may result in a higher purchase price than would otherwise have to be paid by Lucky Consultants in order to acquire the equity interests in Shanghai Yintong directly from Xinrong Asset. Please refer to the section headed “Risk Factors – Risks relating to the Structure Contracts – Should we decide to exercise the option to purchase the equity interests in and/or the assets of Shanghai Yintong, we may need to pay a purchase price higher than that stipulated in the Structure Contracts”. On the other hand, in the event that there exists a third party bidder and Jinhan Investment is outbid by it during the listing for sale (i.e., it could not pay the price to purchase the equity interests in Shanghai Yintong offered by the third party bidder), the third party bidder may purchase the equity interests in Shanghai Yintong, in which case, as advised by the PRC Legal Adviser, the Structure Contracts would remain legal, valid and enforceable against Shanghai Yintong, Jinhan Investment, the third party bidder and Lucky Consultants notwithstanding the change of Shanghai Yintong’s shareholder. As advised by the PRC Legal Adviser, any third party bidder will be bound by the Structure Contracts on the basis that details of the Structure Contracts will be set out in and form part of the listing for sale documents.

Representatives from our Company and the PRC Legal Adviser had consulted about our entry into the Structure Contracts, the overseas shareholding of Jiefang Media and the Listing with the Shanghai Publicity Bureau of the State Owned Assets Supervision Commission (上海市委宣傳部國資辦公室) (the “**Shanghai Publicity Bureau**”). The Shanghai Publicity Bureau represents and discharges the duties of the State-owned Assets Supervision and Administration Commission of the State Council in the supervision and administration of state-owned enterprises engaged in the operation of cultural industry related state-owned assets in Shanghai. It was confirmed by the Shanghai Publicity Bureau that none of the investment made by Jiefang Media in our Company or the Listing is subject to examination or approval by the Shanghai Publicity Bureau.

The Structure Contracts, taken as a whole, permit the financial results of Shanghai Yintong and the economic benefits of its business to flow onto Lucky Consultants. In addition, all the directors of Shanghai Yintong are to be nominated by Lucky Consultants. Through its control over and supervision of the directors of Shanghai Yintong, Lucky Consultants is able to effectively manage and operate the business, operations and financial policies of Shanghai Yintong so as to ensure due implementation of the Structure Contracts. The Structure Contracts also enable Lucky Consultants to, if and when permitted by PRC law, acquire the equity interests and/or assets of Shanghai Yintong in accordance with PRC law. Based on the Structure Contracts, our Directors consider that, notwithstanding the lack of equity ownership in Shanghai Yintong, our Group is entitled to control the business of Shanghai Yintong in substance. On this basis, the financial position and operating results of Shanghai Yintong are included in our Group’s combined financial statements.

SUMMARY

In addition to the above, any amendment to the Structure Contracts is subject to the approval of the directors nominated by Lucky Consultants to Shanghai Yintong. No amendments to the Structure Contracts can be made unless required under the GEM Listing Rules or approved by Lucky Consultants in writing in advance. The Structure Contracts provide for the termination of the Structure Contracts if there is a change in PRC laws or governmental policy that would render implementation of the Structure Contracts unlawful.

Our Directors are of the view that the Structure Contracts enable our Group to be operated coherently with the power to govern the business and the financial and operating policies of Shanghai Yintong for the benefit of our Group as a whole. Accordingly, the financial position and operating results of Shanghai Yintong are included in our Group's financial information.

The Sole Sponsor is satisfied that the Company has fulfilled all applicable conditions for listing under the GEM Listing Rules. Based on the market information available to the public, the PRC Legal Adviser and the Sole Sponsor have no knowledge of whether it is an industry practice for foreign investors to engage in pawn business activities in the PRC through arrangements same as or similar to the Structure Contracts. However, notwithstanding the above, the PRC Legal Adviser is of the opinion that the Structure Contracts are legal, valid, binding and enforceable and none of the terms and conditions in any of the Structure Contracts (taken individually or together as a whole) nor the legal structure of Lucky Consultants and Shanghai Yintong contravenes the applicable laws, regulations or rules of the PRC.

COOPERATION FRAMEWORK AGREEMENT

Shanghai Yintong and Xinrong Asset have entered into the Cooperation Framework Agreement, pursuant to which each of Shanghai Yintong, as lender of pawn loans, and other members of our Group, as lenders of entrusted loans (the “**Relevant Lender**”) may, at its sole discretion upon it agreeing to grant a loan of not less than RMB5 million to a customer, request Xinrong Asset to pay an amount equal to or less than the principal amount of the loan to be advanced to the customer as deposit (the “**Deposit**”). Payment of the Deposit entitles Xinrong Asset a priority right to purchase all or part of the relevant creditor's rights over collateral pledged or mortgaged to the Relevant Lender (the “**Forfeited Collateral**”) if the customer is in default of repayment of the loan. In such case, the Deposit may be used as payment or part payment of the purchase price of the relevant creditor's rights. The total of any and all Deposits to be paid by Xinrong Asset under the Cooperation Framework Agreement shall not exceed RMB200 million from time to time.

Xinrong Asset commenced payment of the Deposit for the priority right to purchase the creditor's rights over the Forfeited Collateral in April 2009. For the year ended 31 December 2009 and the seven months ended 31 July 2010, the purchase of the Forfeited Collateral by Xinrong Asset amounted to RMB8.5 million and nil respectively. For the period from 1 August 2010 to the Latest Practicable Date, Xinrong Asset had not purchased any Forfeited Collateral.

There is no limit on the value of the Forfeited Collateral in respect of which Xinrong Asset may purchase the creditor's rights thereon. During the Track Record Period, Xinrong Asset has not purchased the creditor's rights over any Forfeited Collateral below its fair market value, and it had not sold the Forfeited Collateral it purchased as at the Latest Practicable Date. Since Xinrong Asset is not entitled to purchase the Forfeited Collateral if its fair market value as appraised by an independent valuer is below the amount owed by the customer to the Relevant Lender, our Directors consider it is unlikely that Xinrong Asset will declare bankrupt due to it being unable to sell below-market-value Forfeited Collateral at a reasonable price. As such, the possibility of any negative consequential impact on our Group arising from our entry into the Cooperative Framework Agreement is minimal.

SUMMARY

The Deposit contemplated under the Cooperation Framework Agreement is a payment by Xinrong Asset to the Relevant Lender that provides Xinrong Asset the right to purchase from the Relevant Lender all or part of the creditor's rights over the relevant Forfeited Collateral if a customer of the Relevant Lender is in default of repayment of a loan. The restriction in the Pawning Measures against pawnshops "accepting cash deposits in any form" is a restriction against accepting cash deposits from members of the public in the manner ordinarily performed by licensed banks. As advised by the PRC Legal Adviser, the entry into of the Cooperation Framework Agreement and the payment of the Deposit in accordance therewith are in compliance with relevant PRC laws and regulations, including the Pawning Measures, and the Cooperation Framework Agreement is legal, valid and binding on the parties thereto, and since Xinrong Asset is not a pawnshop nor carrying out pawn business, the Pawning Measures are not applicable to its payment of the Deposit. Up to the Latest Practicable Date, our Group has not received any legal claim or threats from our customers in respect of the Forfeited Collateral sold to Xinrong Asset through auction or otherwise.

Our Directors and the Sole Sponsor confirm that the sale and purchase of the Forfeited Collateral contemplated under the Cooperation Framework Agreement is entered into in the ordinary and usual course of business of our Group, and the terms of such transactions, including the proposed annual caps, are on normal commercial terms, fair and reasonable and in the interest of our Group and the Shareholders as a whole.

Further details on the Cooperation Framework Agreement are set out in the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – Cooperation Framework Agreement" of this prospectus.

COMPLIANCE

The Pawning Measures were only announced on 9 February 2005 and came into effect on 1 April 2005. The business scale of Shanghai Yintong was small when it commenced business in 2003. Given the rapid expansion of the short-term financing market from 2005 to 2009, Shanghai Yintong did not have sufficient human resources to cope with such expansion, it focused on its risk management rather than compliance. As a result, during the Track Record Period, there were instances where Shanghai Yintong was not in material compliance with relevant thresholds prescribed by the Pawning Measures and relevant Judicial Interpretations. Below is a table summarising details of the non-compliances and the respective rectification measures:

Non-compliances with the Pawning Measures	Amounts of fees charged by Shanghai Yintong over the prescribed thresholds permitted by the Pawning Measures		Interest rates charged over the prescribed threshold	Rectification measures going forward	
	2008	2009	2008		2009
(i) charging interest for its real estate pawn loans that exceeded the maximum permitted amounts, which is a rate not exceeding the PBOC official interest rate for six month term loans	RMB0.39 million	RMB5.64 million	0.1% – 1.3%	0.1% – 1.9%	Compliance team to cross-check against the party, amount, rate of administrative fees and interest of each loan application

SUMMARY

Non-compliances with the Pawning Measures	Amounts of fees charged by Shanghai Yintong over the prescribed thresholds permitted by the Pawning Measures	Interest rates charged over the prescribed threshold	Rectification measures going forward
(ii) providing single real estate pawn loans in amounts exceeding the prescribed threshold permitted by the Pawning Measures, which for us is RMB4 million (10% of the then registered capital of Shanghai Yintong)	2008: Nil 2009: RMB2.73 million ⁽¹⁾	2008: N/A 2009: N/A	Loan approval committee/special loan approval committee to review the report prepared by the loan approval department
(iii) providing pawn loans to a single customer with an outstanding balance exceeding the threshold prescribed threshold permitted by the Pawning Measures, which for us is RMB10 million (25% of the then registered capital of Shanghai Yintong)	2008: Nil 2009: RMB3.27 million ⁽¹⁾	2008: N/A 2009: N/A	Compliance team to obtain updates on relevant laws and regulations from time to time

Note:

- (1) RMB2.29 million was the overlap amount charged by Shanghai Yintong for the eight real estate pawn loans which breached the prescribed thresholds of both, (a) providing single loans to a single customer with an amount exceeding RMB4 million; and (b) providing loans to a single customer with an outstanding balance exceeding RMB10 million.

For the non-compliances with the Pawning Measures in respect of the prescribed thresholds for interest, fees and maximum loan amounts as outlined above, we have consulted with and have been advised by the PRC Legal Adviser that such non-compliances do not constitute a contravention of the Contract Law and therefore will not render the relevant loan contracts invalid. Accordingly, while Shanghai Yintong may not enforce the collection of interest and fees in excess of the relevant thresholds, the borrowers involved in the non-compliance loan contracts cannot as a matter of PRC contract law institute proceedings against us by claiming that the loan contracts were invalid. With respect to the Pawning Measures, according to which the SMCC is the supervising authority, we had taken rectification measures such as consultations with the officials of the SMCC and the PRC Legal Adviser. The officials of the competent department of the SMCC had then issued us an oral warning as a penalty, which we have followed closely and have complied with the Pawning Measures as from 1 January 2010.

SUMMARY

Non-compliances with the Judicial Interpretation of the Supreme Court	Amounts of interest charged by Shanghai Yintong over the thresholds permitted by the Judicial Interpretation of the Supreme Court	Interest rates charged over the prescribed threshold	Rectification measures going forward
(i) Charging interest exceeding four times the applicable interest rate announced by the PBOC	2008: Nil 2009: RMB1.13 million	2008: N/A 2009: 0.16% – 0.66%	Compliance team to monitor interest charged from 1 January 2010 to ensure compliance with the Judicial Interpretation of the Supreme Court

With respect to the non-compliances with the Judicial Interpretation of the Supreme Court, the PRC Legal Adviser has advised such loan contracts are valid and enforceable, however the borrowers are not legally bound to pay that portion of the interest that is over and above the relevant permissible threshold. As a result, we have taken rectification measures by obtaining written confirmation from each relevant borrower confirming that they will not make a claim against us. The PRC Legal Adviser has confirmed that the written confirmations are legal, valid and enforceable, and may be submitted as evidence in defence against the relevant claim that may be brought against the Group by any relevant borrower.

As at the Latest Practicable Date, we were not subject to any penalties or claims as a result of or related to the non-compliance loan contracts. Based on the above, our Directors believe the non-compliances during the Track Record Period will not have any financial or legal implications on our business and results of operations. Since 1 January 2010 and up to the Latest Practicable Date, all new loans granted by us were in compliance with the Pawning Measures and other relevant laws and regulations.

As advised by the PRC Legal Adviser, we have obtained all the necessary licences and permits to operate our existing business in the PRC and all such licences and permits remain valid and effective as at the Latest Practicable Date. We confirm that other than the non-compliances set out in the section headed “Business – Compliance” of this prospectus, during the Track Record Period, our Group has complied with the relevant laws and regulations in conducting our business in all material respects.

SUMMARY FINANCIAL INFORMATION

The tables below summarise our consolidated financial information for the two financial years ended 31 December 2009 and the seven months ended 31 July 2010. The following summary was extracted from our consolidated financial statements included in the accountants’ report set out in Appendix I to this prospectus. You should read the entire financial statements, including the notes thereto, included in Appendix I to this prospectus for more details.

SUMMARY

Consolidated Statements of Comprehensive Income

	Year ended 31 December		Seven months ended 31 July	
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i> (Unaudited)	2010 <i>RMB'000</i>
Turnover	12,385	30,446	8,266	53,592
Interest income	11,287	29,612	7,877	25,127
Interest expenses	(765)	(3,238)	(1,142)	(2,106)
Net interest income	10,522	26,374	6,735	23,021
Financial consultancy fee income	1,098	834	389	28,465
	11,620	27,208	7,124	51,486
Other income	1,544	1,829	1,191	1,678
Administrative and other operating expenses	(5,033)	(8,605)	(4,634)	(10,676)
Profit before tax	8,131	20,432	3,681	42,488
Income tax	(1,930)	(4,880)	(897)	(11,318)
Profit for the year/period	6,201	15,552	2,784	31,170
Other comprehensive income:				
Exchange differences on translating foreign operations	361	67	50	41
Total comprehensive income for the year/period	6,562	15,619	2,834	31,211
Profit for the year/period attributable to:				
Owners of the Company	3,694	15,552	2,784	31,170
Non-controlling interests	2,507	–	–	–
	6,201	15,552	2,784	31,170
Total comprehensive income for the year/period attributable to:				
Owners of the Company	4,055	15,619	2,834	31,211
Non-controlling interests	2,507	–	–	–
	6,562	15,619	2,834	31,211
Earnings per share (RMB)				
Basic and diluted	0.23 cents	0.97 cents	0.17 cents	1.95 cents

SUMMARY

Consolidated Statements of Financial Position

	As at 31 December		As at 31	As at 30
	2008	2009	July 2010	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)
Non-current assets				
Plant and equipment	643	609	699	1,135
Deposit for acquisition of plant and equipment	–	–	219	–
	643	609	918	1,135
Current assets				
Other assets	449	138	170	119
Loan receivables	30,884	131,693	242,125	216,219
Prepayments and other receivables	4,812	2,902	1,202	365
Property held for sale	–	2,996	2,996	2,996
Bank balance and cash	15,329	43,499	22,417	39,048
	51,474	181,228	268,910	258,747
Current liabilities				
Accruals and other payables	2,705	11,983	9,282	11,067
Deposits received	6,402	77,000	136,000	102,000
Amount due to a controlling shareholder	7,094	18,546	15	–
Amount due to a related party	5,000	–	–	–
Borrowings	2,000	40,000	29,000	29,000
Dividends payable	2,589	–	–	–
Income tax payables	1,447	4,809	10,965	15,316
	27,237	152,338	185,262	157,383
Net current assets	24,237	28,890	83,648	101,364
Total assets less current liabilities	24,880	29,499	84,566	102,499
Non-current liabilities				
Borrowings	11,000	–	–	–
Deferred tax liabilities	–	–	275	412
	11,000	–	275	412
Net assets	13,880	29,499	84,291	102,087
Capital and reserves				
Share capital	28,500	40,000	–	–
Reserves	(20,293)	(10,501)	84,291	102,087
	8,207	29,499	84,291	102,087
Non-controlling interests	5,673	–	–	–
Total equity	13,880	29,499	84,291	102,087

SUMMARY

Consolidated Statements of Cash Flow

	Year ended		Seven months ended	
	31 December		31 July	
	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
OPERATING ACTIVITIES				
Profit before tax	8,131	20,432	3,681	42,488
Adjustments for:				
Impairment losses on loan receivables	350	–	–	–
Depreciation	472	281	188	96
Interest expenses	765	3,238	1,142	2,106
Bank interest income	(53)	(117)	(34)	(104)
Written off of plant and equipment	47	–	–	4
	<hr/>	<hr/>	<hr/>	<hr/>
Operating cash inflows before movements in working capital	9,712	23,834	4,977	44,590
(Increase)/decrease in other assets	(449)	311	275	(32)
Decrease/(increase) in loan receivables	6,805	(100,809)	(44,390)	(110,432)
Decrease/(increase) in prepayments and other receivables	102	(1,590)	923	1,700
(Decrease)/increase in accruals and other payables	(9,289)	9,278	6,499	(2,701)
Increase/(decrease) in deposits received	1,202	74,098	(2,402)	59,000
	<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operations	8,083	5,122	(34,118)	(7,875)
Income tax paid	(1,286)	(1,518)	(1,517)	(4,887)
	<hr/>	<hr/>	<hr/>	<hr/>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	6,797	3,604	(35,635)	(12,762)

SUMMARY

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)				
INVESTING ACTIVITIES				
Deposit paid for acquisition of plant and equipment	–	–	–	(219)
Purchase of property held for sale	–	(2,996)	–	–
Purchase of plant and equipment	(148)	(247)	(225)	(190)
Bank interest income received	53	117	34	104
	<hr/>	<hr/>	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(95)	(3,126)	(191)	(305)
	<hr/>	<hr/>	<hr/>	<hr/>
FINANCING ACTIVITIES				
New borrowings raised	13,000	40,000	40,000	–
Repayment of borrowings	(11,000)	(13,000)	–	(11,000)
Interest paid	(765)	(3,238)	(1,142)	(2,106)
Proceeds from issue of shares, net of share issue expenses	–	–	–	23,581
Repayment to a related party	–	(5,000)	(5,000)	–
Advance from a related company	6,300	–	–	–
Dividends paid	(923)	(2,589)	(2,589)	–
Advance from/(repayment to) a controlling shareholder	8	11,519	5	(18,490)
	<hr/>	<hr/>	<hr/>	<hr/>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	6,620	27,692	31,274	(8,015)
	<hr/>	<hr/>	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,322	28,170	(4,552)	(21,082)
	<hr/>	<hr/>	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,007	15,329	15,329	43,499
	<hr/>	<hr/>	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER/31 JULY, represented by bank balances and cash	<u>15,329</u>	<u>43,499</u>	<u>10,777</u>	<u>22,417</u>

SUMMARY

USE OF PROCEEDS

The net proceeds from the Placing based on the Placing Price of HK\$0.73 per Share (being the mid-point of the stated range of the Placing Price), before exercise of the Over-allotment Option after deducting related expenses, are estimated to be approximately HK\$274.7 million. Our Directors presently intend that the net proceeds will be applied as follows:

	From the Latest	For the six months ending					Total
	Practicable Date	30 June		31 December		Total	
	to 31 December	2011	2011	2012	2012		
	2010	2011	2011	2012	2012	Total	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Expand our secured financing sales network and develop our business in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong	30,000,000	69,400,000	-	-	-	99,400,000	
Fulfil share capital requirement of Baokang Guarantee and to support our Group's short-term financing business	115,000,000	-	-	-	-	115,000,000	
Repay the RMB29 million loan to Xinrong Asset	33,300,000	-	-	-	-	33,300,000	
Net proceeds reserved for general working capital for our Group	27,000,000	-	-	-	-	27,000,000	
Total net proceeds	205,300,000	69,400,000	Nil	Nil	Nil	274,700,000	

The net proceeds from the issue of the Placing Shares will be fully utilised by June 2011 according to our current business plans. We will finance our remaining business plans as scheduled up to 31 December 2012 from internal resources. Our Directors and the Sole Sponsor consider that the net proceeds from the issue of the Placing Shares of about HK\$274.7 million and our internal resources will be sufficient to finance our business plans as schedule up to the two years ending 31 December 2011 and 2012.

The PRC Legal Adviser has advised that upon receiving approvals from SMCC and the Suzhou Industrial Zone Jiangsu Provincial Management Committee (江蘇省蘇州工業園管理委員會) and completing the relevant registration procedures after we have received the proceeds from the Placing, we are permitted by PRC law to invest our net proceeds from the Placing in the form of shareholder's loans to our PRC subsidiaries or contributions and/or increases to the registered capital of our PRC subsidiaries. The PRC Legal Adviser is of the view that there is no legal impediment in obtaining such approvals.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDED 31 DECEMBER 2010

The following sets forth certain unaudited profit forecast data for the year ending 31 December 2010. Please refer to “Profit Forecast” in Appendix III to this prospectus for further details.

Forecast consolidated net profit attributable to
owners of the Company ⁽¹⁾ not less than RMB52.2 million

Unaudited forecast pro forma earnings per Share ⁽²⁾ not less than RMB3.26 cents

Notes:

- (1) The bases and assumptions on which the above profit forecast has been prepared are summarized in Appendix III to this prospectus.
- (2) The calculating of forecast proforma earnings per Share for the year ending 31 December 2010 is based on the forecast consolidated net profit attributable to owners of the Company for the year ending 31 December 2010 and assuming that the Placing had occurred on 1 January 2010 and a total of 1,600,000,000 Shares had been in issue during the year ending 31 December 2010 but without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme.

PLACING STATISTICS

	Based on the Placing Price of HK\$0.68 per Share	Based on the Placing Price of HK\$0.78 per Share
Market capitalisation of our Shares ⁽¹⁾	HK\$1,088,000,000	HK\$1,248,000,000
Unaudited pro forma adjusted net tangible asset value per Share ⁽²⁾	HK\$0.220	HK\$0.244

Notes:

- (1) The calculation of market capitalisation is based on 1,600,000,000 Shares expected to be in issue immediately upon completion of the Placing and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed “Unaudited pro forma adjusted net tangible assets” in the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus and on the basis of 1,600,000,000 Shares in issue at the respective Placing Prices of HK\$0.68 and HK\$0.78 per Share immediately following completion of the Placing and the Capitalisation Issue.

DIVIDEND AND DIVIDEND POLICY

We did not declare dividends to Shareholders or any of our subsidiaries during the Track Record Period. A sum of approximately RMB923,000 and RMB2,589,000 was paid in 2008 and 2009 respectively as a result of dividends declared in 2007.

Shareholders will be entitled to receive dividends as declared by our Board, who will consider various factors including the financial condition, capital requirements and earnings of our Group, in order to determine in their discretion the payment and amount of any such dividends.

SUMMARY

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Please also refer to the section headed “Risk Factors – Dividends declared by us in the past may not be indicative of the amount of future dividend payments or our future dividend policy” of this prospectus for further details.

Subject to the above, the Board currently intends to recommend a distribution to all Shareholders in an amount representing not less than 15% of the distributable net profit attributable to the equity holders of our Company in each of the financial years following the Listing. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

RISK FACTORS

We believe that our business is subject to a number of risk factors, a summary of which is set out in the section headed “Risk Factors” in this prospectus. These risks can be broadly classified into:

- Risks relating to the Structure Contracts
- Risks relating to our entrusted loan operation
- Risks relating to our business
- Risks relating to the industry in which our Group operates
- Risks relating to the PRC
- Risks relating to the Placing
- Risks relating to this prospectus

Set out below is a summary of the risks referred to above.

Risks relating to the Structure Contracts

- The PRC Government may determine that the Structure Contracts are not in compliance with applicable PRC laws, rules, regulations or policies.
- Our Group depends upon the Structure Contracts in conducting its secured financing business in China and receiving payments through Shanghai Yintong, which may not be as effective as direct ownership.
- Should we decide to exercise the option to purchase the equity interest in and/or the assets of Shanghai Yintong, we may need to pay a purchase price higher than that stipulated in the Structure Contracts.

SUMMARY

- The pricing arrangement under the Structure Contracts may be challenged by the PRC tax authorities.
- Our Group relies on the Pawn Operations Business Licence and 上海市特種行業許可證 (Shanghai City Special Industry Licence) held by Shanghai Yintong and any deterioration of the relationship between Shanghai Yintong and our Group could materially and adversely affect the overall business operation of the Group.

Risks relating to our entrusted loan operation

- Our entrusted loan operation may be subject to higher risk than our pawn loan business.
- We may not be able to maintain the growth rate of our entrusted loan operation.
- We may not be able to fully recover the collateral pledged to banks for entrusted loans in case of default.
- The liquidity of the Group may be affected by the size of loan granted by us through entrusted loans.

Risks relating to our business

- The collateral securing our loans may not be sufficient, and we may be unable to realise the value of the collateral in a timely manner or at all.
- Our loan portfolio is concentrated in Shanghai and if the economy of Shanghai significantly deteriorates, our financial condition and results of operations may be materially and adversely affected.
- We will be exposed to various risks as we expand our range of products and services.
- We may be unsuccessful in obtaining the requisite licences for the establishment of our new branch(es).
- We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.
- Dependence on executive Directors and senior management.
- Availability of funds to sustain operations and growth.
- Our insurance coverage may not adequately protect us against certain operational risks and this may have a material adverse effect on our business.
- We intend to pursue merger and acquisition opportunities and any failure to successfully integrate newly acquired or merged businesses into our business could negatively impact on our performance, results of operation and financial condition.

SUMMARY

- The future development and implementation of anti money laundering laws in China may increase our obligations to supervise and report transactions with our customers, thereby increasing our costs and exposing us to the risk of criminal or administrative sanction.

Risks relating to the industry in which our Group operates

- Competition in the secured financing industry is intense and any failure by us to compete could result in us losing market share and revenues.
- The industry in which we operate is strictly regulated and any failure by us to adhere to relevant laws and regulations and/or obtain requisite licences and permits may have a significant impact on our business, results of operations and financial conditions.
- Our business is seasonal, which causes our revenues to fluctuate.
- The growth of the PRC secured financing industry may not be sustainable.

Risks relating to the PRC

- Changes in the economic, political and social conditions of the PRC and policies adopted by the PRC Government may adversely affect our business, growth strategies, financial condition and results of operations.
- We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our income.
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the EIT Law.
- Government control of currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial position, operations and our ability to pay dividends.
- It may be difficult to enforce service of process upon our executive Directors and Directors who live in the PRC or to enforce against us in the PRC any judgments obtained from non-PRC courts.
- An outbreak of severe acute respiratory syndrome (“SARS”), avian influenza A (“H5N1”), influenza A virus subtype H1N1 (“H1N1”) or other epidemic if uncontrolled could have a negative impact on our business.

SUMMARY

Risks relating to the Placing

- There has been no prior public market for our Shares and an active or liquid trading market for our Shares may not develop.
- The trading price of our Shares may be volatile.
- Purchasers of our Shares in the Placing will experience immediate dilution because the Placing Price is higher than the net tangible asset value per Share.
- Issue of new Shares under the Share Option Schemes or issue of additional Shares will have a dilution effect and may affect our Group's profitability.
- Sale or perceived sale of substantial amounts of the Shares in the public market after the Placing could adversely affect the prevailing market price of the Share.
- The Controlling Shareholders' interest may not be aligned with our interest or the interest of other Shareholders.
- Dividends declared by us in the past may not be indicative of the amount of future dividend payments or their future dividend policy.
- Investors may experience difficulties in enforcing Shareholder rights because our Company is incorporated in the Cayman Islands.
- You may face difficulties in protecting your interests because we are incorporated under the laws of the Cayman Islands and these laws may provide different protections to minority shareholders than the laws of Hong Kong.

Risks relating to this prospectus

- Statistics and facts in this prospectus have not been independently verified.
- We strongly caution you not to place any reliance on any information contained in any press articles or other media regarding us and the Placing.

PRE-IPO SHARE OPTION SCHEME

To recognise the contribution of certain executive Directors and employees to the growth of our Group and/or the Listing, our Company adopted the Pre-IPO Share Option Scheme by written resolutions of all Shareholders passed on 4 November 2010. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Post-IPO Share Option Scheme and are summarised in the section headed "Statutory and General Information – Other information – Share Option Schemes – Pre-IPO Share Option Scheme" in Appendix VI to this prospectus.

SUMMARY

As at the Latest Practicable Date, options to subscribe for an aggregate of 64,000,000 Shares, representing 4% of the issued share capital of the Company upon completion of the Placing and the Capitalisation Issue, had been granted by the Company to Mr. Shi, Mr. Ji, Ms. Shen and Mr. Ding Lu (丁璐), a director of Shanghai Yintong. The subscription price per Share pursuant to the exercise of these options is HK\$0.3125. The consideration for the grant of these options is HK\$1.00. All of these options may be exercised within five years from the Listing Date. The vesting period of 35%, 35% and 30% of the total options granted under the Pre-IPO Share Option Scheme is 6 months, 12 months and 18 months from the grant date, respectively.

Exercise of any option granted under the Pre-IPO Share Option Scheme will have a dilution effect on the shareholdings of the Shareholders at the time of exercise of such options. Assuming all outstanding options granted under the Pre-IPO Share Option Scheme are exercised in full on the Listing Date, the shareholding interests of the public would be decreased from approximately 32.5% to approximately 31.25% of the issued share capital of our Company, taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued by our Company pursuant to the general mandate granted to our Directors pursuant to the section headed “Statutory and General Information – Further information about our Group – Resolutions in writing of the Shareholders” in Appendix VI to this prospectus.

Assuming that all options granted under the Pre-IPO Share Option Scheme had been exercised in full on 1 January 2009 and 1,664,000,000 Shares to be in issue immediately after the Placing had been in issue throughout the year ended 31 December 2009, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Post-IPO Share Option Scheme, the pro forma earnings per Share for the year ended 31 December 2009 would be diluted from approximately RMB0.97 cents to approximately RMB0.93 cents. The calculation has been prepared on the assumption that we will not receive any proceeds from the exercise of any options granted under the Pre-IPO Share Option Scheme, and without taking into account the impact of fair value of the Shares on computation of the number of potentially dilutive Shares and the impact of the fair value of the options granted under the Pre-IPO Share Option Scheme on the profit for the year ended 31 December 2009.

The options granted under the Pre-IPO Share Option Scheme, with a vesting period ranging from 6 to 18 months from the grant date, may be exercised within five years from the Listing Date. The financial impact on the options granted under the Pre-IPO Share Option Scheme, which represents our expense will be reflected in our Company’s financial statements for the two financial years starting from the date of grant of the options. The Directors estimate the amount to be charged in relation to the options granted under the Pre-IPO Share Option Scheme will be approximately HK\$27.1 million which is based on the mid-point of the indicative Placing Price.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Articles of Association” or “Articles”	the articles of association of our Company adopted on 4 November 2010 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“Aohua Investment”	上海奧華投資發展有限公司 (Shanghai Aohua Investment Development Limited), a limited liability company established in the PRC and an Independent Third Party
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Baokang Guarantee”	寶康投資擔保(蘇州)有限公司 (Bao Kang Investment and Guarantee (Suzhou) Limited), a limited liability company established in the PRC and an indirectly wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors
“business day”	a day on which licensed banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 1,199,999,800 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Resolutions in writing of the Shareholders” under the section headed “Further Information about Our Group” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor to the Placing
“China Everbright Securities” or “Sole Bookrunner” or “Sole Lead Manager”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) activities, being the sole bookrunner and sole lead manager to the Placing
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Credit China Holdings Limited 中國信貸控股有限公司, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 4 January 2010
“Connected Person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto under the GEM Listing Rules and, for the purpose of this prospectus, refers to Mr. Shi, Kaiser Capital, Jiefang Media, Xinhua Publishing, Greenland Group and Jiefang Group
“Cooperation Framework Agreement”	重訂合作框架協議 (Amended and Restated Cooperation Framework Agreement) entered into between Shanghai Yintong and Xinrong Asset on 1 November 2010, which amended and restated the 合作框架協議 (Cooperation Framework Agreement) between the same parties dated 25 February 2010 and further information on which is set out in the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions – Cooperation Framework Agreement” of this prospectus

DEFINITIONS

“Corporate Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History and Reorganisation” of this prospectus
“CSRC”	China Securities Regulatory Commission (中國證券監察管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 15 November 2010 entered into between Mr. Shi, Kaiser Capital and our Company as referred to in the section headed “Statutory and General Information – Other Information – Estate duty, tax and other indemnities” in Appendix VI to this prospectus
“Director(s)”	the director(s) of our Company
“Easy Value”	Easy Value Investments Limited, a limited liability company incorporated in the BVI on 4 December 2009 and an indirectly wholly-owned subsidiary of our Company
“Enterprise Trustworthy and Creditworthy Promotion Association”	盧灣區合同信用促進會 (Lu Wan District Enterprise Trustworthy and Creditworthy Promotion Association), a non-profitable social organisation which was registered at Shanghai Lu Wan District Social Organisation Bureau and an Independent Third Party; it aims to promote the contractual terms and obligations, improve the contractual administration system and maintain economic orders
“Ever Step”	Ever Step Holdings Limited (永階控股有限公司), a limited liability company incorporated in the BVI on 7 December 2009 and a directly wholly-owned subsidiary of our Company
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth), unless otherwise stated
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“GEM Website”	http://www.hkexnews.hk , being the Internet website operate by the Stock Exchange for the purposes of GEM
“GFA”	gross floor area

DEFINITIONS

“Greenland Group”	上海綠地 (集團) 有限公司 (Shanghai Greenland Group Limited), a company established in the PRC with limited liability and one of our Controlling Shareholders
“Group”, “our Group”, “we” or “us”	the Company, Ever Step, Easy Value, Measure Up, Vigo Investment, Wyndsfield Resources, Lucky Target, Baokang Guarantee, Lucky Consultants and Shanghai Yintong
“Guarantee Law”	the Guarantee Law of the PRC (中華人民共和國擔保法)
“Hengzhu Enterprise”	上海恒珠企業發展有限公司 (Shanghai Hengzhu Enterprise Development Limited), a limited liability company established in the PRC and an Independent Third Party
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standards
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the GEM Listing Rules) with any Directors, chief executive or substantial Shareholders (within the meaning of the GEM Listing Rules) of our Company, its subsidiaries or any of their respective associates and not otherwise a connected person of our Company
“Integrated Asset” or “Strategic Investor”	Integrated Asset Management (Asia) Limited, a limited liability company incorporated in the BVI on 15 February 1996 and wholly-owned by Mr. Yam, an Independent Third Party
“Jiefang Group”	解放日報報業集團 (Jiefang Daily Group), a State-owned enterprise and one of our Controlling Shareholders
“Jiefang Media”	Jiefang Media (UK) Co. Limited, a private limited company incorporated in the United Kingdom, a wholly-owned subsidiary of Xinhua Publishing and one of our Controlling Shareholders

DEFINITIONS

“Jinhan Investment”	上海錦瀚投資發展有限公司 (Shanghai Jinhan Investment Development Limited), a limited liability company established in the PRC on 4 July 2000 and a shareholder of Shanghai Yintong, which is wholly and beneficially owned by Mr. Shi
“Kaiser Capital”	Kaiser Capital Holdings Limited (皇都控股有限公司), a limited liability company incorporated in the BVI on 18 August 2008, which is wholly and beneficially owned by Mr. Shi, and one of our Controlling Shareholders
“Latest Practicable Date”	9 November 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about 19 November 2010, on which dealings in the Shares first commence on GEM
“Listing Division”	the Listing Division of the Stock Exchange
“Lucky Consultants”	峻嶺物業顧問(上海)有限公司 (Lucky Target Property Consultants (Shanghai) Company Limited) (formerly known as 峻嶺地產諮詢(上海)有限公司 (Lucky Target Property Consultants (Shanghai) Company Limited) and 錦瀚地產諮詢(上海)有限公司 (Jinhan Property Consultancy (Shanghai) Company Limited)), a limited liability company established in the PRC on 5 May 1998 and an indirectly wholly-owned subsidiary of our Company
“Lucky Target”	Lucky Target Property Agency Limited, a limited liability company incorporated in Hong Kong on 2 March 1993 and an indirectly wholly-owned subsidiary of our Company
“Management Agreement”	管理與運營合同(Management and Operation Agreement) entered into between Lucky Consultants, Jinhan Investment, Xinrong Asset and Shanghai Yintong on 25 February 2010 as supplemented by a supplemental agreement dated 1 November 2010, being part of the Structure Contracts, further information on which is set out in the section headed “History and Reorganisation – Structure Contracts” of this prospectus
“Measure Up”	Measure Up International Limited, a limited liability company incorporated in the BVI on 25 September 2009 and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company
“Ministry of Public Security”	the Ministry of Public Security of the PRC (中華人民共和國公安部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Ji”	Mr. Ji Zu Guang (計祖光), executive Director
“Mr. Shi”	Mr. Shi Zhi Jun (石志軍), the founder of our Group, the Chairman of our Company, executive Director and one of the Controlling Shareholders
“Mr. Ting”	Mr. Ting Pang Wan Raymond (丁鵬雲), previously known as Mr. Ding Xiao (丁曉), the brother-in-law of Mr. Shi
“Mr. Yam”	Mr. Yam Tak Cheung (任德章), the sole director and beneficial owner of Integrated Asset, and an Independent Third Party
“Ms. Shen”	Ms. Shen Li (沈勵), executive Director
“M&A Rules”	the Regulations of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) adopted by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation (國家稅務總局), the State Administration for Industry and Commerce of the PRC, the CSRC and SAFE on 8 August 2006
“Over-allotment Option”	the option granted by our Company to the Underwriters, exercisable by China Everbright Securities or its agent on behalf of the Underwriters, at its sole and absolute discretion, from the date of this prospectus to the 30th day after the date of this prospectus, whereby our Company may be required to allot and issue up to 60,000,000 additional Placing Shares representing up to 15% of the Placing Shares initially available under the Placing, at the Placing Price solely to cover over-allocation in the Placing, subject to the terms of the Underwriting Agreement
“Pawn Operations Business Licence”	Pawn Operations Business Licence (典當經營許可証) issued by MOFCOM to a pawnshop pursuant to the Pawning Measures for operating pawn business in the PRC

DEFINITIONS

“Pawning Measures”	the Measures for the Administration of Pawning (典當管理辦法), which was jointly issued by MOFCOM and the Ministry of Public Security of the PRC (中華人民共和國公安部) on 9 February 2005 and came into effect on 1 April 2005
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Placing”	the conditional placing of 400,000,000 Placing Shares by the Underwriters on behalf of the Company for cash at the Placing Price, as further described in the section headed “Structure of the Placing” of this prospectus
“Placing Price”	the price for each Placing Share of not more than HK\$0.78 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)
“Placing Shares”	the Shares being offered for subscription at the Placing Price pursuant to the Placing
“Pledge Agreement”	股權質押合同 (Equity Interest Pledge Agreement) entered into among Lucky Consultants, Jinhan Investment, Xinrong Asset and Shanghai Yintong on 25 February 2010, being part of the Structure Contracts, further information on which is set out in the section headed “History and Reorganisation – Structure Contracts” of this prospectus
“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by the Company on 4 November 2010, the principal terms of which are summarised in the section headed “Statutory and General Information – Other information – Share Option Schemes – Post-IPO Share Option Scheme” in Appendix VI to this prospectus
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“PRC Legal Adviser”	Commerce & Finance Law Offices, our PRC legal adviser
“PRC Pawn Professional Committee (全國典當專業委員會)”	an affiliate of China Used Merchandise Association (中國舊貨業協會) and an Independent Third Party; it aims to promote the Pawning Measures, strengthen communication with administrative bodies and conduct research on the pawn industry in China
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 4 November 2010, the principal terms of which are summarised in the section headed “Statutory and General Information – Other information – Share Option Schemes – Pre-IPO Share Option Scheme” in Appendix VI to this prospectus

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into by the Sole Lead Manager (on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Placing Price
“Price Determination Date”	the date on which the Placing Price will be fixed, which is expected to be on 15 November 2010
“Property Law”	the Property Law of the PRC (中華人民共和國物權法)
“Real Estate Backed Loan(s)”	the real estate pawn loan and entrusted loan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Runxun Concept”	上海潤迅概念通信產品連鎖銷售有限公司 (Shanghai Runxun Concept Communication Products Chain Sales Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of China Motion Telecom International Limited, the shares of which were listed on the Main Board (stock code: 989) and Mr. Ting was interested in approximately 55.13% of its issued share capital as at the Latest Practicable Date
“SAFE”	the State Administration of Foreign Exchange of the People’s Republic of China (中華人民共和國國家外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Maosheng”	上海茂盛企業發展集團有限公司 (Shanghai Maosheng Enterprise Development Group Limited), a limited liability company established in the PRC and an Independent Third Party
“Shanghai Property Right Group”	上海產權集團有限公司 (Shanghai Property Right Group), a limited liability company and an Independent Third Party approved by State-owned Assets Supervision and Administration Commission of Shanghai and established in January 2004, and principally engaged in property rights trading brokerage, direct investment, merger and acquisition, corporate reorganization and divestiture of bad asset
“SPTA”	Shanghai Pawn Trade Association (上海典當行業協會), a non-profitable social organisation of pawn industry participants which was incorporated voluntarily by local pawn enterprises in Shanghai and related governmental institutions in June 2004. The purpose of the association is to serve members by protecting their legal rights, promoting self-governance, and strengthening the market competitiveness of the Shanghai pawn industry

DEFINITIONS

“Shanghai Yintong”	上海銀通典當有限公司 (Shanghai Yintong Dian Dang Company Limited), a limited liability company established in the PRC on 11 June 2003, which is engaged in pawn loan business and is managed by Lucky Consultants through the Structure Contracts
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.10 each in the capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Share Option Schemes”	collectively, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“SMCC”	上海市商務委員會 (Shanghai Municipal Commission of Commerce), which is, to the best of our Directors’ knowledge and as confirmed by the PRC Legal Adviser, the relevant provincial level commerce authority supervising and administrating the pawn industry in Shanghai
“SME(s)”	small and medium enterprise(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structure Contracts”	contracts entered into among Lucky Consultants, Shanghai Yintong, Jinhan Investment and Xinrong Asset as described in the section headed “History and Reorganisation” in this prospectus
“sq. ft.”	square foot
“sq.m.”	square meter(s)
“State Council”	the State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed thereto in Section 2 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed thereto in the GEM Listing Rules and, for the purpose of this prospectus, refers to Mr. Shi, Kaiser Capital, Jiefang Media, Xinhua Publishing, Greenland Group and Jiefang Group
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the two years ended 31 December 2009 and the seven months ended 31 July 2010

DEFINITIONS

“Underwriters”	the underwriters of the Placing whose names are set out in the paragraph headed “Underwriters” in the section headed “Underwriting” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement entered into on 15 November 2010 among the Company, the executive Directors, Mr. Shi, Kasier Capital, the Sole Sponsor, the Sole Lead Manager and the Underwriters relating to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Vigo Investment”	Vigo Hong Kong Investment Limited (滙高香港投資有限公司), a limited liability company incorporated in Hong Kong on 2 September 2008 and an indirectly wholly-owned subsidiary of our Company
“Xinhua Publishing”	上海新華發行集團有限公司 (Shanghai Xinhua Publishing Group Limited), a company established in the PRC with limited liability and one of our Controlling Shareholders
“Xinrong Asset”	新融資產管理有限公司 (Xinrong Asset Management Limited), a limited liability company established in the PRC and a shareholder of Shanghai Yintong
“Wyndsfield Resources”	Wyndsfield Resources Limited (海外資源有限公司), a limited liability company incorporated in Hong Kong on 30 July 2004 and an indirectly wholly-owned subsidiary of our Company
“%”	per cent.

* *For identification purpose only*

Unless otherwise specified, translations of RMB into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

RMB0.87: HK\$1.00

No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates.

In this prospectus, if there is any inconsistency between the Chinese names of the PRC entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

The English translations of the names of PRC laws, rules and regulations printed in this prospectus are not official names for, and do not form any official part of, such laws, rules and regulations.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plans of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- projects under construction or planning;
- the regulatory environment of our industry in general; and
- future development in our industry.

The words “anticipate”, “believe”, “could”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and that our Group's operations are primarily conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Additional risks and uncertainties not presently known to our Group or that our Group currently deems immaterial could also harm the business, financial condition and operating results of our Group. The trading prices of our Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please refer to the section headed "Regulatory Overview" in this prospectus.

RISKS RELATING TO THE STRUCTURE CONTRACTS

The PRC Government may determine that the Structure Contracts are not in compliance with applicable PRC laws, rules, regulations or policies.

The pawn business currently engaged by Shanghai Yintong is regulated by amongst others, the Pawning Measures. According to Article 71 of the Pawning Measures, rules and regulations governing the investment by foreign invested companies in pawn business in the PRC shall be separately announced by MOFCOM and other relevant authorities.

As at the Latest Practicable Date, no relevant rules and regulations have been announced by MOFCOM or the SMCC. According to 中華人民共和國行政許可法 (the Administrative Licensing Rules of the PRC), administrative licensing regimes may only be set up and implemented where there are established laws setting out relevant procedures, parameters, conditions and scope of administrative power. As the approval of investment in a pawn business by foreign invested companies in the PRC falls under an administrative act, no approval can be granted and no licence can be issued to a foreign invested company if there are no established laws governing the investment by foreign invested companies in a pawn business.

After verbal consultations with the officials of MOFCOM and the SMCC and as advised and confirmed by the PRC Legal Adviser, we understand that the PRC governmental authorities currently may not as a matter of practice grant 典當經營許可證 (Pawn Operations Business Licence) to foreign invested companies. By a letter dated 8 March 2010, 上海市商務委員會服務業發展處 (the Department of Service Industry Development of the SMCC) (which is, to the best of our Directors' knowledge, the department within the SMCC responsible for the supervision, administration and control of the pawn industry in Shanghai) confirmed that according to the Pawning Measures and the relevant policy, they do not accept any application for investment in the pawn business by foreign invested companies in Shanghai.

RISK FACTORS

In order for our Group to manage and operate the secured financing business of Shanghai Yintong in China, the Structure Contracts were entered into under which all the business activities of Shanghai Yintong are managed and operated by Lucky Consultants and all economic benefits and risks arising from the business of Shanghai Yintong are transferred to Lucky Consultants by means of management and operation fee payable by Shanghai Yintong to Lucky Consultants. Further information on the Structure Contracts is set out in the section headed “History and Reorganisation – Structure Contracts” of this prospectus.

There are risks involved with the operation of the Group under the Structure Contracts. To the best knowledge of the Directors, if the Structure Contracts are considered to be in breach of any existing or future PRC laws or regulations or governmental policy, the relevant regulatory authorities would have broad discretion in dealing with such breach, including:

- imposing economic penalties;
- discontinuing or restricting the operations of Shanghai Yintong;
- imposing conditions or requirements in respect of the Structure Contracts with which our Group may not be able to comply;
- requiring our Group to restructure the relevant ownership structure or operations;
- taking other regulatory or enforcement actions that could adversely affect the business of our Group; and
- revoking the business licences and/or the licences or certificates of Shanghai Yintong and/or voiding the Structure Contracts.

Any of these actions could have a material adverse impact on our Group’s business, financial condition and results of operations.

Our Group depends upon the Structure Contracts in conducting its secured financing business in China and receiving payments through Shanghai Yintong, which may not be as effective as direct ownership.

Our Group conducts its secured financing business in China and generates the relevant revenues through the Structure Contracts. The Structure Contracts may not be as effective in providing our Group with control over Shanghai Yintong as direct ownership.

The Structure Contracts are governed by the PRC law and provide for the resolution of disputes through arbitration in accordance with the arbitration rules of China International Economic and Trade Arbitration Commission in force at that time (the “**CIETAC Arbitration Rules**”) in China. Accordingly, the Structure Contracts would be interpreted in accordance with the PRC law and any disputes would be finally resolved by arbitration in accordance with the CIETAC Arbitration Rules. If Shanghai Yintong fails to perform its obligations under the Structure Contracts, our Group may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages. The legal environment in China is not as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit the ability of our Group to enforce the Structure Contracts.

RISK FACTORS

Should we decide to exercise the option to purchase the equity interest in and/or the assets of Shanghai Yintong, we may need to pay a purchase price higher than that stipulated in the Structure Contracts

Under the Management Agreement, Lucky Consultants or its nominee has the exclusive option, as and when permitted by PRC law, to acquire any or all of the equity interest of Shanghai Yintong from Jinhan Investment and Xinrong Asset. The price for the acquisition of the equity interest shall be the higher of the capital investment of the relevant equity holder and the book value of the equity interest, subject to the laws and regulations governing the management of state-owned assets.

As the equity interest in Shanghai Yintong held by Xinrong Asset is considered a state-owned asset, any transfer thereof must, in accordance with the State Owned Assets Law of the PRC (中華人民共和國企業國有資產法), be completed in a public market place by means of listing for sale. In the case there are competing bidders for the equity interest, Jinhan Investment may exercise its right of first refusal in accordance with the Company Law of the PRC (中華人民共和國公司法) to ensure that the equity interest is not sold to a third party, however any such exercise may result in a higher purchase price than would otherwise have to be paid by Lucky Consultants in order to acquire the equity interest in Shanghai Yintong directly from Xinrong Asset.

The pricing arrangement under the Structure Contracts may be challenged by the PRC tax authorities.

Our Group may face adverse tax consequences if the PRC tax authorities determine that the Structure Contracts were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Structure Contracts were not entered into on an arm's length basis, they may adjust the income and expenses of the Group for PRC tax purposes which could result in higher tax liability.

Our Group relies on the Pawn Operations Business Licence and 上海市特種行業許可證 (Shanghai City Special Industry Licence) held by Shanghai Yintong and any deterioration of the relationship between Shanghai Yintong and our Group could materially and adversely affect the overall business operation of our Group.

Our Group operates its pawn loan business in China on the basis of the Pawn Operations Business Licence and 上海市特種行業許可證 (Shanghai City Special Industry Licence) as well as other requisite licences held by Shanghai Yintong. If Shanghai Yintong is not able to renew its licences or certificates when their terms expire with substantially similar terms as the ones they currently hold, our Group's operations, reputation and business could be materially affected. Please refer to the section headed "Business – Legal Proceedings and Compliance – Compliance" of this prospectus for details of the expiry dates of the licences and certificates currently held by our Group.

RISK FACTORS

On 25 February 2010, Lucky Consultants, Shanghai Yintong, Jinhan Investment and Xinrong Asset, entered into the Structure Contracts, further information on which is set out in the section headed “History and Reorganisation – Structure Contracts” of this prospectus, pursuant to which Lucky Consultants was granted the right to acquire the equity interests or assets of Shanghai Yintong. The Structure Contracts may not be effective in providing control over the application for and maintenance of the licences required for our Group’s business operations. Shanghai Yintong could violate the Structure Contracts, go bankrupt, suffer from difficulties in its business or otherwise become unable to perform its obligations under the Structure Contracts and, as a result, our Group’s operations, reputation and business could be materially affected.

RISKS RELATING TO OUR ENTRUSTED LOAN OPERATION

Our entrusted loan operation may be subject to higher risk than our pawn loan business.

Given that our entrusted loan operation commenced in late 2009 and its nature, the risk profile of entrusted loans are different from that of our established pawn loan business. For the year ended 31 December 2009, and the seven month ended 31 July 2010, the average size of entrusted loans per transaction is RMB25.25 million and RMB32.92 million, respectively, which are significantly higher than that of the pawn loans which is RMB4.45 million and RMB1.25 million for the same period of time. The Group is therefore exposed to a higher degree of risk as the collateral for the entrusted loans is considerably more valuable than that of our pawn loans’. In the event that the borrower is in default of part or all loan amount, our financial and result of operation may be adversely affected. Please also see “We may not be able to fully recover the collateral pledged to banks for the entrusted loans in case of default” in this section.

In addition, in contrast to our pawn loan customers, during the Track Record Period, our customers for the entrusted loans are all SMEs and does not include any individuals. Accordingly, the financial background of our entrusted loan customers are different to that of our pawn loan borrowers and their differences in repayment ability may have an adverse effect on our financial condition and result of operations.

We may not be able to maintain the growth rate of our entrusted loan operation.

We commenced our entrusted loan operation in late 2009. For the Track Record Period, we had ten customers with loan amount ranging from RMB10 million to RMB75 million. However, we may not be able to sustain a growth rate in our revenue derived from our entrusted loan operation due to increasing competition. In view of that, we may need to lower our interest rate so as to attract or maintain our customers in which case it may materially and adversely affect our financial conditions and results of operations.

We may not be able to fully recover the collateral pledged to banks for the entrusted loans in case of default.

We do not have direct credit relationship with the borrower for the entrusted loans. The real estate collateral are mortgaged to the bank, who acts as the loan provider and retains possession of the title documents to the mortgaged real estate. Despite the assistance provided by the bank to our Group to recover the full loan from the borrower, the process required to enforce on the collateral, including the

RISK FACTORS

obtaining of authorization letter from the entrusted bank and the enforcement order from the court may take up to several weeks. The time required for the recovery process may affect our liquidity and adversely affect the financial position and operations of the Group.

The liquidity of the Group may be affected by the size of loan granted by us through entrusted loans.

For the year ended 31 December 2009 and the seven months ended 31 July 2010, the average size of entrusted loans are RMB25.25 million and RMB32.92 million, respectively, which are significantly higher than that of the pawn loans which are RMB4.45 million and RMB1.25 million. As the average size of the entrusted loans is relatively higher than that of pawn loans', the liquidity and financial condition of our Group may be adversely affected if the customer is unable to repay the loan fully by the end of the loan period.

RISKS RELATING TO OUR BUSINESS

The collateral securing our loans may not be sufficient, and we may be unable to realise the value of the collateral in a timely manner or at all.

For the two years ended 31 December 2009 and the seven months ended 31 July 2010, 97.3%, 99.4% and 99.7% of the total interest incomes generated from our loans were secured by real estate, the appraised value of which may fluctuate and decline due to various factors, including those affecting the PRC economy in general. For example, a slowdown in the PRC economy may lead to a downturn in the real estate market, which may in turn result in declines in the value of the real estate properties securing our loans to levels below the outstanding principal balance of such loans. Moreover, the growth of the real estate industry and price of real estate properties in the PRC are significantly influenced by macroeconomic policies of the PRC Government, such as interest rate and credit policies.

In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in China may be protracted or ultimately unsuccessful, and the enforcement process in China may be difficult for legal and practical reasons in accordance with the Guarantee Law, the Property Law and other relevant laws and regulations. In the case that a customer does not redeem pawned property, for whatever reasons including where the borrower is unable to collect enough money to redeem the pawned properties or the borrower passed away before redeeming the pawned properties within the specified time limit, a pawn loan provider may agree to negotiate an agreement with the customer whereby the customer shall forfeit the pawned property to offset the debt owing from the customer. If the customer does not agree to negotiate such an agreement or if, having agreed to negotiate, no agreement can be reached, the pawn loan provider may institute proceedings at the People's Court for the pawned property to be sold by means of auction or otherwise. According to regulations and common judicial practice, the whole process generally takes approximately 90 days. In rare circumstances the whole process may take up to 300 days. During the Track Record Period, we had two defaults of real estate pawn loans, one of which arose because the borrower passed away before redemption of the pawned property and the other one involved a non-PRC borrower who failed to repay. The average time required by us to realise the collateral was approximately 330 days. The long average time to realise the collateral in these two cases was mainly due to the extended court proceedings arising from the non-PRC nationality of the borrower in a defaulted real estate pawn loan. Despite judgements were awarded to us, we have written off RMB350,000 for the loan relating to the deceased due to goodwill and for the loan relating to the non-PRC borrower, we have sold the collateral to Xinrong Asset at a profit.

RISK FACTORS

For our entrusted loan operation, the entrusted loan agreement is entered into among our Group other than Shanghai Yintong, acting as trustor, the entrusted bank, acting as lender, and the customer, acting as borrower, there is no direct credit relationship between our Group other than Shanghai Yintong and the customer. In case of default of loan, we will need to seek assistance from the bank to recover the full loan from the customer. At the request by us, the bank will issue an authorisation letter for our Group other than Shanghai Yintong to recover all outstanding amounts and losses, we can then rely on the notarised entrusted loan documentation and charge documents together with the compulsory enforcement agreement to assist us to expedite the legal proceedings to enforce the security and auction or sell off the collateral to recover the full loan.

We are therefore exposed to the risk that we may not be able to realise the value of collateral securing our loans in a timely manner or at all.

Our loan portfolio is concentrated in Shanghai and if the economy of Shanghai significantly deteriorates, our financial condition and results of operations may be materially and adversely affected.

As at the Latest Practicable Date, we operated only through our office located in Shanghai. We plan to open branches in Zhejiang and Jiangsu Provinces and Hong Kong, nonetheless, we currently expect that the future growth of our business will continue to be concentrated in Shanghai. A significant economic downturn in Shanghai may affect our customers' ability to repay our loan amount, and thus materially and adversely affect our financial condition and results of operations.

We will be exposed to various risks as we expand our range of products and services.

We will continue to expand our range of products and services to our customers. Our expansion of the range of products and services has and will expose us to new and potentially increasingly challenging risks, including the following:

- we may have insufficient experience or expertise in certain new products and services, which may, among other things, lead to insufficient disclosure of all risks associated with our products and services to our customers;
- we may need to hire additional qualified and experienced personnel but be unable to do so;
- our existing personnel may need to leave their current roles in order to undergo further training and gain any relevant requisite qualifications;
- we may be unable to obtain or maintain regulatory approval for our new products and services.

If we are unable to achieve the intended commercial results with respect to our new products and services, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISK FACTORS

We may be unsuccessful in obtaining the requisite licences for the establishment of our new branch(es).

We only operated through our sales outlet in Shanghai during the Track Record Period and had no prior experience in establishing new branches.

We plan to expand our secured financing business by opening branch(es) in Zhejiang and Jiangsu Provinces and Hong Kong. In accordance with relevant PRC laws, the establishment of a new branch of an existing secured financing provider must receive approval from relevant PRC government authorities, including MOFCOM and the relevant local commerce authority and public security bureau. Approval is contingent on many factors, including the provision of detailed information about the facilities and layout of the proposed premises. There is no assurance that we would be able to obtain the requisite licences for the establishment of our new branch(es).

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

We may be exposed to fraud or other misconduct committed by our employees, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. As at the Latest Practicable Date, our Directors confirmed that no such fraud or other misconduct was committed by our employees, agents, customers or third parties that had an adverse effect on our business reputation, financial condition and results of operations nor were sanctions imposed by governmental authorities.

Our management information systems and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur and that negative publicity, government sanctions and/or financial losses may result, which may have an adverse effect on our business reputation, financial condition and results of operations.

Dependence on executive Directors and senior management.

The success of our Group has been, and in future will be, dependent on the continued services of our executive Directors and senior management referred to in the section headed “Directors, Senior Management and Employees” in this prospectus. They have contributed significant experience and expertise to our operations during their service. In particular, our executive Director, Mr. Shi, who pursued his career in property financing in 1998 and gained 11 years of experience in the industry, and our other executive Director, Mr. Ji has over 8 years of management experience in state owned organisations before joining LT International Holdings Ltd. in 2000. The knowledge and experience of Mr. Shi and Mr. Ji in property financing and business management played a significant role in the business operations and strategic planning during the Track Record Period and is instrumental to the future development of our Group. There is no assurance, however, that any or all of the senior management will continue their employment with us. If any of the senior management is unable or unwilling to continue his/her service, we may not be able to find a suitable replacement easily and in a timely manner. The loss of the services of any of the senior management or the failure to find a suitable replacement might cause disruption to our business and could have an adverse impact upon our ability to manage or operate the business effectively.

RISK FACTORS

Availability of funds to sustain operations and growth.

We have been financing our operations mainly through a combination of capital contributions from shareholders, borrowings from banks and loans from shareholders. The PBOC raised the RMB reserve requirement ratio for depository financial institutions by 0.5 percentage points as of 18 January 2010, which was intended to call for balanced lending at commercial banks. The Directors consider that this will not have material impact for us in obtaining credit facilities from commercial banks. However, in accordance with relevant PRC laws, secured financing service providers engaged in pawnbroking and real estate secured financing activities are prohibited from borrowing funds from any person other than commercial banks. In the event that Shanghai Yintong has insufficient internal resources and if we are unable to obtain loans or other credit facilities from commercial banks on reasonable terms or at all, we may not be able to implement our business and operational strategies.

Our insurance coverage may not adequately protect us against certain operational risks and this may have a material adverse effect on our business.

The occurrence of certain incidents, including fraud or other misconduct committed by our employees or third parties, fire, severe weather conditions, earthquake, war, flooding and power outage, and the consequences resulting therefrom may not be covered adequately, if at all, by our insurance policies. If we incur substantial liabilities which are not covered by our insurance policies, or if our business operations are interrupted for more than a short period of time, we may incur expenses and losses that would materially and adversely affect our operating results.

We intend to pursue merger and acquisition opportunities and any failure to successfully integrate newly acquired or merged businesses into our business could negatively impact on our performance, results of operation and financial condition.

We intend to pursue merger and acquisition opportunities within the short-term financing industry in order to further expand our business. We intend to seek targets that have the potential to complement our existing sales network or our business model. Any failure to successfully acquire or merge with such targets or any failure to successfully integrate newly acquired or merged businesses into our business could have a negative impact on our performance, results of operation and financial condition. As at the Latest Practicable Date, we had not identified any specific merger and acquisition target, and no proceeds from the Placing are allocated for this purpose.

The future development and implementation of anti money laundering laws in China may increase our obligations to supervise and report transactions with our customers, thereby increasing our costs and exposing us to the risk of criminal or administrative sanction.

PRC laws and regulations relating to anti money laundering have undergone considerable development over recent years. While we are not currently subject to anti money laundering laws and regulations and are not required by current laws and regulations to establish specific identification and reporting procedures relating to anti money laundering, any new requirement under anti money laundering laws to supervise and report transactions with our customers would increase our costs, and may expose us to potential criminal or administrative sanction in the case we fail to establish and implement adequate procedures in accordance with law.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

Competition in the secured financing industry is intense and any failure by us to compete could result in us losing market share and revenues.

The industry in which we operate is highly fragmented and very competitive. In addition, we believe that the market will become more competitive as the industry matures and consolidates. We compete with other secured financing providers in Shanghai, Zhejiang and Jiangsu Provinces as well as banks and other financial institutions. Some of our competitors have larger and more established customer bases and substantially greater financial, marketing and other resources than we do.

If we do not successfully compete against other secured financing providers, banks and financial institutions, our results of operations may be materially and adversely affected.

The industry in which we operate is strictly regulated and any failure by us to adhere to relevant laws and regulations and/or obtain requisite licences and permits may have a significant impact on our business, results of operations and financial conditions.

Our business operations are strictly regulated by the PRC Government. For example, in accordance with current PRC laws and regulations, we must ensure the proper maintenance of paperwork for the receipt, preservation and redemption of pledged property; engage security personnel with requisite qualifications and experience; install security video and sound recording equipment; and install security vaults and safes adequate for the safe and secure storage of pledged property. Any failure by us to establish or to properly implement procedures for the discharge of these obligations may result in the imposition of economic penalties, regulatory action by relevant PRC government departments and/or the revocation of our Pawn Operations Business Licence. Any of these actions could have a material adverse impact on our Group's business, financial conditions and results of operations.

In addition, these laws and regulations and governmental policies are subject to change which may impose significant costs or limitations on the way we conduct or expand our business, such as those affecting the extent to which we can engage in, or charge fees for, specific businesses. As we develop new services, we may be subject to additional regulations and governmental policies. The changes in the laws and regulations and other governmental policies may materially and adversely affect our business, financial condition and results of operations, and we may not be able to adapt to all such changes on a timely basis. Moreover, there may be uncertainties regarding the interpretation and application of new laws and regulations and other governmental policies. Failure to comply with the applicable laws and regulations and other governmental policies may result in fines, restrictions on our activities or revocation of our licences, which could have a significant impact on our business.

Our business is seasonal, which causes our revenues to fluctuate.

Our business is seasonal to the extent that the annual quota of banking facilities made available to SMEs results in some SMEs not being able to receive adequate bank financing throughout the year. The impact is primarily in the third and fourth quarters of our fiscal year. This seasonality requires us to manage our cash flows over the course of the year. If our revenues were to fall substantially below what we would normally expect during certain periods, our annual financial results would be adversely impacted.

RISK FACTORS

The growth of the PRC secured financing industry may not be sustainable.

According to the Euromonitor Report (as defined in the section headed “Industry Overview”) of this prospectus, the PRC secured financing industry has experienced rapid growth, consistent with the economic development of the PRC financial system. Banks have historically been the principal financing channel for enterprises, however, many SMEs find it difficult to obtain banking facilities from banks. The major customers of secured financing providers comprise individuals, self-employed business people and SMEs, and the major function of secured financing providers is to provide short-term financing. Thus, secured financing providers complement the role played by banks as they provide convenient and efficient services to customers who may otherwise face difficulty obtaining finance from banks.

We expect the secured financing industry in the PRC to expand as a result of continued growth in the PRC economy. However, since the second half of 2008, global markets have experienced tremendous volatility as a result of the turmoil originating from the United States subprime mortgage crisis, which has brought about a global economic downturn. We cannot assure you that the growth and development of the PRC secured financing industry will be sustainable. If the rate of growth of the PRC secured financing industry slows down, our business, financial conditions and results of operations may be materially and adversely affected.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions of the PRC and policies adopted by the PRC Government may adversely affect our business, growth strategies, financial condition and results of operations.

During the Track Record Period, the majority of our revenues were derived from our operations in the PRC. As a result, our business is significantly subject to economic, political and social developments of the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform. However, the PRC Government continues to play a significant role in regulating industrial development and the allocation, production, pricing and management of resources, and that the PRC Government may continue to pursue a policy of economic reform or that the direction of reform will continue to be market-oriented.

We may not in all cases be able to capitalise on the economic reform measures adopted by the PRC Government. Changes in the economic, political and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof) or restrictive financial measures, could have adverse effects on the overall economic growth of the PRC, which could subsequently hinder our current or future business, growth strategies, financial condition and results of operations.

We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the “EIT Law”) and be subject to PRC taxation on our income.

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The EIT Law and the implementation regulations to the EIT Law were issued by the State Council and became effective on January 1, 2008. Under the EIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. It is, however, currently unclear under what situations an enterprise’s “de facto management body” would be considered to be located in China. The State Administration of Taxation promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management in April 2009 which defines the term “management body” in respect of enterprises that are established offshore by PRC enterprises. However, no definition of “management body” is provided for enterprises established offshore by private individuals or foreign enterprises like us. As such the PRC Legal Adviser have advised us that there is uncertainty whether we will be deemed as a PRC “resident enterprise” for the purpose of the EIT Law. Substantially all of our management is currently based in China, and therefore, we may be treated as a PRC “resident enterprise” for enterprise income tax purposes in which case we may be subject to PRC enterprise income tax at the rate of 25% on our worldwide income. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the EIT Law or the implementation regulations. Moreover, since our Company is an investment holding company and could not generate any profit on our own, the financial impact towards our Company even if it is deemed to be a “PRC tax resident enterprise” would be minimal. Please also refer to the paragraph below headed “Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the EIT laws.”

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the EIT Law.

Under the EIT Law, a PRC income tax at the rate of 10% is applicable to dividends payable to investors that are non-resident enterprises to the extent such dividends have their sources within the PRC. Similarly, any gain realised on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC resident enterprise by virtue of having our de facto management in the PRC, as described above, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the sale of our Shares, would be treated as income derived from sources within the PRC and therefore become subject to the EIT Law. If we are required under the EIT Law to withhold PRC enterprise income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC enterprise income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

Government control of currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial position, operations and our ability to pay dividends.

RMB is not currently a freely convertible currency. We receive all of our revenues in RMB and will need to convert RMB into foreign currencies for payment of dividends, if any, our Shareholders. Under the current foreign exchange regulations in the PRC, our PRC subsidiaries will be permitted, upon completion of the Placing, to effect foreign exchange for current-account transactions (including the distribution of dividends) through accounts permitted by the PRC Government. Under the existing PRC foreign exchange

RISK FACTORS

regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. There can be no assurance that the PRC Government will not in the future impose restrictions on foreign exchange transactions for current account items, including the payment of dividends.

The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of RMB to U.S. dollars was generally stable. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made, and in the future may make, further adjustments to the exchange rate system. From 21 July 2005 to 30 June 2009, according to the PBOC official website, the value of RMB has appreciated by approximately 21.1% against the U.S. dollar.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against the U.S. dollar, the Hong Kong dollar or other foreign currencies. If the appreciation of RMB continues, and as we need to convert the proceeds from the Placing and future financing into RMB for our operations, appreciation of RMB against the relevant foreign currencies would reduce the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of RMB against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms.

It may be difficult to enforce service of process upon our executive Directors and Directors who live in the PRC or to enforce against us in the PRC any judgments obtained from non-PRC courts.

A substantial majority of our executive officers and Directors are residents of the PRC. Therefore, it may be difficult or impossible for you to effect service of process upon those persons in the PRC. In addition, substantially all of our assets are located within the PRC. The PRC has not entered into any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the U.S., the United Kingdom, Japan or most other western countries. The Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region pursuant to Choice of Court Agreements between Parties Concerned was executed on 14 July 2006. However there are many restrictions on such arrangement. As a result, it may be difficult or impossible for you to enforce against us in the PRC any judgments you may obtain from non-PRC courts.

RISK FACTORS

An outbreak of severe acute respiratory syndrome (“SARS”), avian influenza A (“H5N1”), influenza A virus subtype H1N1 (“H1N1”) or other epidemic if uncontrolled could have a negative impact on our business.

An outbreak in the future of SARS, H5N1, H1N1 or other epidemic, if protracted and uncontrolled, may result in the contraction of such disease amongst our employees or those with whom we conduct business on a regular basis, making it necessary to suspend or close certain parts of our operations to prevent the spread of the disease. In addition, if there is an outbreak of SARS, H5N1, H1N1 or other epidemic, there is no guarantee that the World Health Organisation or the PRC Government will not recommend, or even impose, travel restrictions and/or restrictions on the flow of goods to and from areas affected by the virus. For these reasons, an outbreak of SARS, H5N1, H1N1 or other epidemic could cause significant interruption to our business and have a significant impact upon our revenue and profitability.

RISKS RELATING TO THE PLACING

There has been no prior public market for our Shares and an active or liquid trading market for our Shares may not develop.

Prior to the Placing, there has not been a public market for our Shares. We have applied for listing of our Shares on GEM. However, there is no assurance that the Listing will result in the development of an active public market for our Shares or that the market price of our Shares will not decline below their initial Placing Price. The Placing Price of the Shares will be determined through negotiations between us and the Sole Lead Manager and it may not be indicative of the market price of the Shares after this Placing is completed. You may be unable to resell your Shares at or above the Placing Price, and as a result, may lose all or part of the investment in such Shares.

The trading price of our Shares may be volatile.

The price at which our Shares will trade after the Placing may fluctuate substantially as a result of many factors some of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts’ estimates, if any, of our financial performance;
- acquisitions, strategic partnerships, joint ventures or capital commitments;
- fluctuations of exchange rates between the RMB or other foreign currencies; and
- general market conditions or other developments affecting us or our industry.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations which are not related to the operating performance of the companies listed on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of the Shares and a decrease in the value of the Shares, regardless of our operating performance or prospects.

RISK FACTORS

Purchasers of our Shares in the Placing will experience immediate dilution because the Placing Price is higher than the net tangible asset value per Share.

Based on the Placing Price range, the Placing Price is expected to be higher than the net tangible asset value per Share immediately prior to the Placing. Therefore, the holders of the Placing Shares will experience an immediate dilution in pro forma net tangible asset value per Share.

Issue of new Shares under the Share Option Schemes or issue of additional Shares will have a dilution effect and may affect our Group's profitability.

You may experience dilution to the extent that our Shares are issued upon exercise of options pursuant to our Share Option Schemes. In addition, we may need to raise additional funds in the future to finance expansions of our operations or new acquisitions. If additional funds are raised through issuance of new Shares or other securities that may be converted into the Shares other than on a pro rata basis to our existing Shareholders, the percentage ownership of the existing shareholders may be reduced and Shareholders may experience subsequent dilutions. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Exercise of any option granted under the Pre-IPO Share Option Scheme will have a dilution effect on the shareholdings of the Shareholders at the time of exercise of such options. Assuming all outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interests of the public would be decreased from approximately 32.5% to approximately 31.25% of the issued share capital of our Company, taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued pursuant to the general mandate granted to our Directors as referred to in the paragraph headed "Resolutions in writing of the Shareholders" in Appendix VI to this prospectus.

Assuming that all options granted under the Pre-IPO Share Option Scheme had been exercised in full on 1 January 2009 and 1,664,000,000 Shares to be in issue immediately after the Placing had been in issue throughout the year ended 31 December 2009, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Post-IPO Share Option Scheme, the pro forma earnings per Share for the year ended 31 December 2009 would be diluted from approximately RMB0.97 cents to approximately RMB0.93 cents. The calculation has been prepared on the assumption that we will not receive any proceeds from the exercise of any options granted under the Pre-IPO Share Option Scheme, and without taking into account the impact of fair value of the Shares on computation of the number of potentially dilutive Shares and the impact of the fair value of the options granted under the Pre-IPO Share Option Scheme on the profit for the year ended 31 December 2009.

The options granted under the Pre-IPO Share Option Scheme, with a vesting period ranging from 6 to 18 months from the date of grant of the options, i.e., 4 November 2010, may be exercised within five years from the Listing Date. The financial impact on the options granted under the Pre-IPO Share Option Scheme, which represents our expense will be reflected in the Company's financial statements for the two financial years starting from the date of grant of the options. The Directors estimate the amount to be charged in relation to the options granted under the Pre-IPO Share Option Scheme will be approximately HK\$27.1 million which is based on the mid-point of the indicative Placing Price.

RISK FACTORS

Sale or perceived sale of substantial amounts of the Shares in the public market after the Placing could adversely affect the prevailing market price of the Shares.

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules. There is no assurance that the Controlling Shareholders will not dispose of these Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

The Controlling Shareholders' interests may not be aligned with our interest or the interest of other Shareholders.

Kaiser Capital, and Jiefang Media, being the Controlling Shareholders, will control the exercise of approximately 37.13% and 30.38% respectively of voting rights of our Company immediately after the Placing and the Capitalisation Issue. Therefore, the Controlling Shareholders will continue to be able to exercise controlling influence over our business through their ability to direct us to take actions or omit from taking actions without the consent or approval of other Shareholders. As such, each of the Controlling Shareholders have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors, timing and amount of dividends, if any, and other significant corporate actions. In the case where the interests of the Controlling Shareholders conflict with those of public Shareholders, or if the Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of public Shareholders, such public Shareholders could be left in a disadvantageous position by such actions caused by the Controlling Shareholders. The concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares.

Dividends declared by us in the past may not be indicative of the amount of future dividend payments or our future dividend policy.

We did not declare dividends to Shareholders or any of our subsidiaries during the Track Record Period. A sum of approximately RMB923,000 and RMB2,589,000 was paid in 2008 and 2009 as a result of dividends declared in 2007.

Our ability to pay dividends or make other distributions to our Shareholders is subject to the future financial performance and cashflow position of our Group. We may not be able to distribute dividends to our Shareholders as a result of the abovementioned factors.

Accordingly, our historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by us in the future. We may not be able to record profits and have sufficient funds above our funding requirements, other obligations and business plans to declare dividends to our Shareholders.

RISK FACTORS

Investors may experience difficulties in enforcing Shareholder rights because our Company is incorporated in the Cayman Islands.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of the Company are governed by the Memorandum and Articles, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary responsibilities of the Directors to the Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of the Shareholders and the fiduciary responsibilities of the Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. In particular, the Cayman Islands has a less developed body of securities laws. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of the Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

You may face difficulties in protecting your interests because we are incorporated under the laws of the Cayman Islands and these laws may provide different protections to minority shareholders than the laws of Hong Kong.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences may mean that our minority Shareholders may have different protections than they would have under the laws of Hong Kong.

RISKS RELATING TO THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from government official sources and publications or other sources. The Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. The Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or any other party involved in the Placing and therefore, the Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

RISK FACTORS

We strongly caution you not to place any reliance on any information contained in any press articles or other media regarding us and the Placing.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Placing, which include certain information in relation to our business, operation and financial position and the Placing. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent with the information contained in this prospectus, we disclaim it. Accordingly, the prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and
2. there are no other matters the omission of which would make any statement herein or in this prospectus misleading.

Printed copies of this prospectus are available, for information purposes only, at the offices of (i) China Everbright Securities at 36/F, Far East Finance Centre, 16 Harcourt Road, Central, Hong Kong; (ii) Haitong International Securities Company Limited at 25/F, New World Tower, 16-18 Queen's Road Central, Hong Kong; (iii) VC Brokerage Limited at 28/F., The Centrium, 60 Wyndham Street, Central, Hong Kong; (iv) Cheong Lee Securities Limited at Room 1106, 11/F, Mass Mutual Tower, 38 Gloucester Road, Wanchai, Hong Kong; (v) First Shanghai Securities Limited at 19/F., Wing On House, 71 Des Voeux Road Central, Hong Kong; (vi) Guangdong Securities Limited at Units 2505-06, 25/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong; (vii) Nittan Securities Asia Limited at Suite 720, 7/F, Jardine House, 1 Connaught Place, Central, Hong Kong; (viii) CMB International Capital Limited at Units 1803-4, 18/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong; and (ix) Kingston Securities Limited at 2801 One International Finance Centre, 1 Harbour View Street, Central, Hong Kong from 4:00 p.m. to 5:00 p.m. on 15 November 2010 and from 9:00 a.m. to 5:00 p.m. on 16 November 2010 to 18 November 2010.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing and the listing of the Shares on the Stock Exchange is sole sponsored by China Everbright and managed by China Everbright Securities. The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement, subject to the terms and conditions of the Underwriting Agreement and that the Placing Price will be fixed by agreement between the Company and the Sole Lead Manager (on behalf of the Underwriters) on the Price Determination Date. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

PLACING PRICE

The Placing Shares are being offered at the Placing Price which will be determined in Hong Kong dollar by the Company and the Sole Lead Manager (on behalf of the Underwriters) on the Price Determination Date. For full information relating to the determination of the Placing Price, please refer to the section headed "Structure of the Placing" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his acquisition of Placing Shares to confirm, that he is aware of the restrictions on placing and sales of the Placing Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Placing Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or any other persons or parties involved in the Placing.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue and upon the exercise of the Over-allotment Option and options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public. A total of 400,000,000 Placing Shares representing 25% of the Company’s enlarged issued share capital will be in the hands of the public immediately following the completion of the Placing, the Capitalisation Issue and upon Listing (assuming the Over-allotment Option and the options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme are not exercised).

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasized that none of our Company, our Directors, the Sole Sponsor, the Sole Lead Manager and the Underwriters, their respective directors, agents or advisers or any other persons involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder.

STAMP DUTY

All the Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong in order to enable them to be traded on GEM. Only Shares registered on our branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees. Dealings in the Shares registered on our branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure of the Placing" in this prospectus.

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on the Stock Exchange is expected to commence on 19 November 2010. Shares will be traded in board lot of 4,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Shi Zhi Jun (石志軍)	32A No. 1388 Wuding West Road Shanghai, China	Canadian
Mr. Ji Zu Guang (計祖光)	Flat C, 10/F Foong Shan Mansion 23 Tai Koo Shing Road Quarry Bay Hong Kong	Chinese
Ms. Shen Li (沈勵)	Room 18A, No. 23 Lane 999 Chang Shou Road Shanghai, China	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Neo Poh Kiat (梁宝吉)	Flat 34B Flourish Court 30 Conduit Road Hong Kong	Singaporean
Dr. Lau Reimer Mary Jean (劉翁靜晶)	8B Eighteenth Street Hong Lok Yuen Taipo, New Territories Hong Kong	Chinese
Mr. Lee Sze Wai (李思衛)	19B1 Greenfield Terrace 26 Ho Man Tin Hill Road Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Sole Sponsor	China Everbright Capital Limited 40/F, Far East Finance Centre 16 Harcourt Road, Central Hong Kong
Sole Bookrunner and Sole Lead Manager	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre 16 Harcourt Road, Central Hong Kong
Co-Lead Manager	Haitong International Securities Company Limited 25/F, New World Tower 16-18 Queen's Road Central Hong Kong
Co-Managers	VC Brokerage Limited 28/F., The Centrium 60 Wyndham Street, Central Hong Kong
	Cheong Lee Securities Limited Room 1106, 11/F, Mass Mutual Tower 38 Gloucester Road, Wanchai Hong Kong
	First Shanghai Securities Limited 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
	Guangdong Securities Limited Units 2505-06, 25/F Low Block, Grand Millennium Plaza 181 Queen's Road Central, Hong Kong
	Nittan Securities Asia Limited Suite 720, 7/F Jardine House, 1 Connaught Place Central, Hong Kong
	CMB International Capital Limited Units 1803-4, 18/F Bank of America Tower 12 Harcourt Road, Central Hong Kong
	Kingston Securities Limited 2801 One International Finance Centre 1 Harbour View Street, Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Underwriters

China Everbright Securities (HK) Limited
36/F, Far East Finance Centre
16 Harcourt Road, Central
Hong Kong

Haitong International Securities Company Limited
25/F, New World Tower
16-18 Queen's Road Central
Hong Kong

VC Brokerage Limited
28/F., The Centrium
60 Wyndham Street, Central
Hong Kong

Cheong Lee Securities Limited
Room 1106, 11/F, Mass Mutual Tower
38 Gloucester Road, Wanchai
Hong Kong

First Shanghai Securities Limited
19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

Guangdong Securities Limited
Units 2505-06, 25/F
Low Block, Grand Millennium Plaza
181 Queen's Road Central, Hong Kong

Nittan Securities Asia Limited
Suite 720, 7/F
Jardine House, 1 Connaught Place
Central, Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

Kingston Securities Limited
2801 One International Finance Centre
1 Harbour View Street, Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Legal advisers to our Company

as to Hong Kong law:

K&L Gates
44/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:

Commerce & Finance Law Offices
6F NCI Tower
A12 Jianguomenwai Avenue
Beijing 100022
PRC

as to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

**Legal advisers to the Sole Sponsor
and the Underwriters**

as to Hong Kong law:

Pang & Co. in association with Salans LLP
Suite 7601A
Level 76 International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Reporting accountants

SHINEWING (HK) CPA Limited
Certified Public Accountants
43/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Compliance adviser

China Everbright Capital Limited
40/F, Far East Finance Centre
16 Harcourt Road, Central
Hong Kong

Property valuer

BMI Appraisals Limited
Suite 11-18, 31/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Units C&D, 17th Floor China Overseas Building 139 Hennessy Road Wanchai Hong Kong
Head office and principal place of business in PRC	Level 35, Lucky Target Square No. 500 Chengdu Road North Huangpu District Shanghai the PRC
Company's website	http://www.creditchina.hk/ <i>(Note: contents in this website do not form part of this prospectus)</i>
Company secretary	Ms. So Ka Man (蘇嘉敏), (ACS, ACIS)
Authorised representatives	Ms. Shen Li (沈勵) Room 18A, No. 23 Lane 999 Chang Shou Road Shanghai, China Ms. So Ka Man (蘇嘉敏) Flat A, 13/F Block 1 55 Fung Shing Street Ngau Chi Wan Kowloon, Hong Kong
Compliance officer	Ms. Shen Li (沈勵)
Audit committee	Mr. Lee Sze Wai (李思衛) (Chairperson) Mr. Neo Poh Kiat (梁宝吉) Dr. Lau Reimer Mary Jean (劉翁靜晶)
Remuneration committee	Mr. Neo Poh Kiat (梁宝吉) (Chairperson) Mr. Lee Sze Wai (李思衛) Dr. Lau Reimer Mary Jean (劉翁靜晶)

CORPORATE INFORMATION

Nomination committee	Dr. Lau Reimer Mary Jean (劉翁靜晶) (Chairperson) Mr. Lee Sze Wai (李思衛) Mr. Neo Poh Kiat (梁宝吉)
Principal share registrar and transfer office in Cayman Islands	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman, KY1-1107 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal banker	China Construction Bank Corporation (Shanghai Nanjing West Road Sub-branch) No. 585, Nanjing West Road Shanghai The PRC

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, in part, from various official government publications or other sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Lead Manager, the Underwriters or any other party involved in the Placing and no representation is given as to its accuracy.

SOURCES OF THE INDUSTRY INFORMATION

Euromonitor

We commissioned Euromonitor, an Independent Third Party, to conduct a market analysis of, and produce a report (the “**Euromonitor Report**”) independent of our influence on (a) the short-term loan market information in China and (b) the banking and finance industry in China covering the period from 2003 to 2008. In addition to relying on the Euromonitor Report, we also relied on various data provided by Euromonitor for the preparation of this section of the prospectus including data on China’s economy, household survey, pattern and the levels of household disposal income and dominated loans in China. The commission fee paid by us for the Euromonitor Report was RMB160,000, and we consider such fee reflects market rates. The fee was duly settled by us without any reference or conditional upon the Listing or any of the results provided within the Euromonitor Report. We have not commissioned other customised reports for the purpose of inclusion in this prospectus. Our Directors understand that the methodology used by Euromonitor in gathering the relevant market data in compiling the Euromonitor Report included the following:

- (a) combining their existing research data with information gathered from publicly available information;
- (b) interview with Shanghai Pawn Trade Association (上海典當行業協會), Shanghai City SME Promotion Association Office (上海市促進中小企業協調辦公室) and other relevant authorities in China; and
- (c) interviews with our competitors in China.

The following reference materials were consulted by Euromonitor in creating the market data:

- banks and financial institutions reports;
- independent analysts’ or research groups’ reports; and
- Euromonitor Passport data.

INDUSTRY OVERVIEW

The following principal assumptions were adopted by Euromonitor in projecting the pawn loan forecast:

- the pawn industry in Shanghai will continue its robust development, but the growth momentum will slow down as the market is getting mature;
- the private enterprises sector maintains at a steady growth rate;
- the credit policy of the banks to SMEs will remain tight;
- real estate pawn loan business will continue to grow due to the trends that more citizens prefer to own real estate, rather than precious metal and jewelry;
- automobile pawn loan business is of good market potential, but there are still issues to be resolved prior to its likely robust forecast growth; and
- pawn loan business will slow down due to the high risk and the lack of professional pawnbrokers in this sector.

Data validation & integrity assessment:

- Euromonitor employees multiple secondary and primary sources to validate data and information with no reliance on any single-source; and
- a test of each respondent's viewpoints against those of others is applied to ensure reliability and to eliminate bias from various sources.

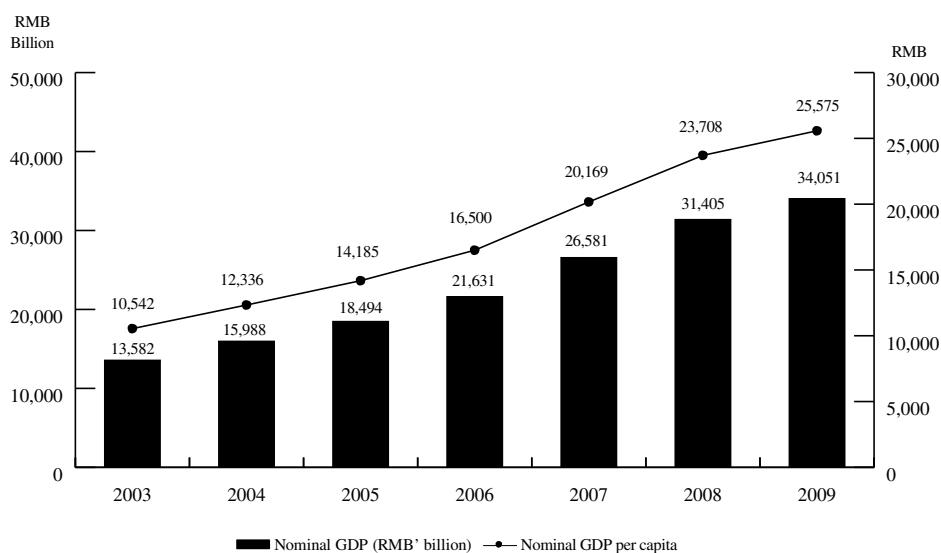
The Directors and the Sole Sponsor have reviewed the assumptions adopted by Euromonitor in projecting the pawn loan forecast up to 2013 and are of the view that the assumptions are fair and reasonable.

INDUSTRY OVERVIEW

RAPID GROWTH OF THE PRC ECONOMY

According to National Bureau of Statistics of China, China's nominal GDP grew at a CAGR of approximately 16.55% during the seven-year period from 2003 to 2009. Such growth is at a substantially higher rate compare to other developing and developed nations over the corresponding period, which enables China to be one of the fastest growing economies in the world.

The following diagram illustrates the nominal GDP and nominal GDP per capita in China from 2003 to 2009:



Source: National Bureau of Statistics of China

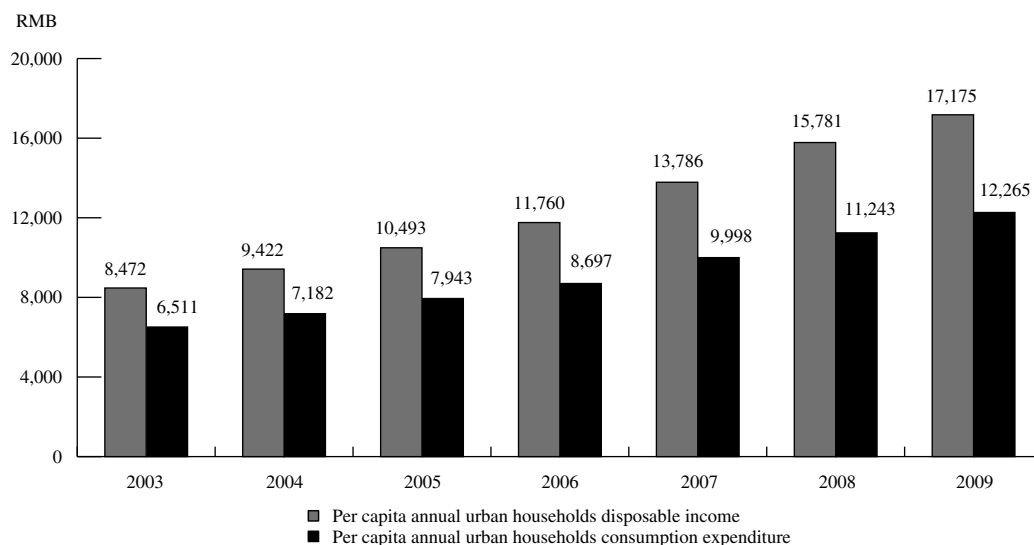
China's economy has expanded during the last two decades and in particular following China's accession to the World Trade Organisation. Various market liberalisation initiatives have been introduced and implemented by the PRC Government.

The growth of China's GDP is principally the result of the increasing level of domestic consumption. In addition, the levels of the annual urban household disposable income and expenditure have also increased.

According to the National Bureau of Statistic of China, the annual urban household disposable income per capita in China increased at a CAGR of approximately 12.50% from RMB8,472 in 2003 to RMB17,175 in 2009, while the annual urban household consumption expenditure increased at a CAGR of approximately 11.13% from RMB6,511 in 2003 to RMB12,265 in 2009.

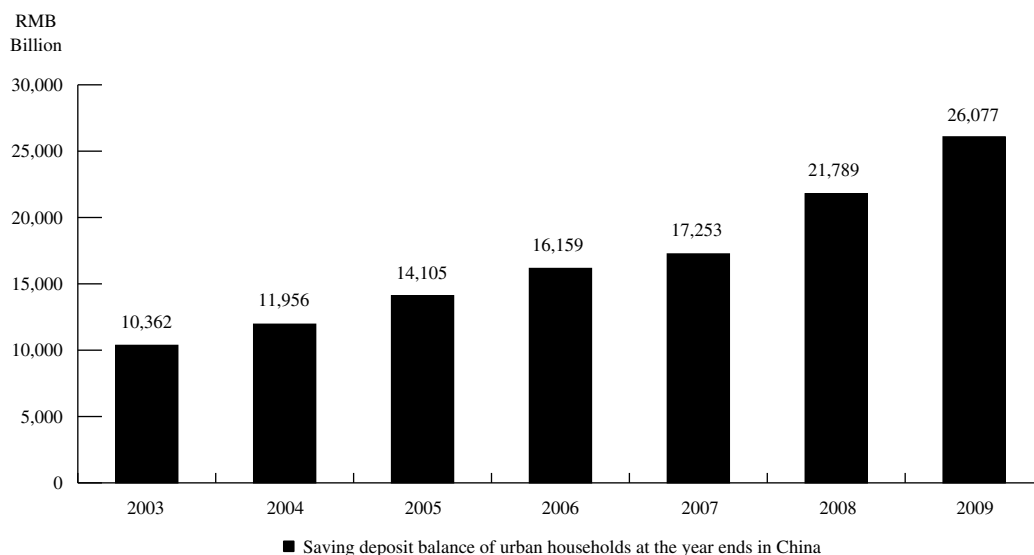
INDUSTRY OVERVIEW

The following diagram illustrates the per capita annual urban household disposable income and expenditure in China from 2003 to 2009:



Source: National Bureau of Statistics of China

Consistent with China's rapid growth in the GDP and the upward trend in the annual household disposable income, the savings deposit of urban households at the year ended from 2003 to 2009 had also increased. The following diagram illustrates the savings deposit of urban and rural households in China from 2003 to 2009:



Source: National Bureau of Statistics of China

The savings deposit of urban households in China increased at a CAGR of approximately 16.63% from RMB10,362 billion in 2003 to RMB26,077 billion in 2009.

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From 2003 to 2009, while the RMB-denominated loans increased at a CAGR of approximately 16.61% from RMB15,900 billion to RMB39,968 billion respectively, the loans to private enterprises and self-employed individuals in the PRC had increased significantly in recent years. The loans to private enterprises and self-employed individuals in the PRC increased at a CAGR of approximately 30.18% from RMB146.2 billion in 2003 to RMB711.7 billion in 2009.

The following table illustrates the total RMB-denominated loans and the loans to private enterprises and self-employed individuals in China from 2003 to 2009:

<i>RMB' billion</i>	2003	2004	2005	2006	2007	2008	2009	CAGR
RMB-denominated loans ⁽¹⁾	15,900	17,820	19,469	22,535	26,169	30,340	39,968	16.61%
Loans to private enterprises and self-employed individuals	146.2	208.2	218.1	266.8	350.8	422.1	711.7	30.18%

Source: PBOC, National Bureau of Statistics of China

Note 1: Consists of the loans of the PBOC, the national commercial banks, city commercial banks, policy banks, rural commercial banks, foreign-invested commercial banks, urban credit cooperatives, rural credit cooperatives, finance companies, trust and investment companies, financial leasing companies and the postal savings bureau

Taking into account the upward trend of loans to private enterprises and self-employed individuals, and the relatively rigorous credit approving policies to SMEs and individuals amongst the banks and financial institutions, the demand for loans from private enterprises and self-employed individuals is expected to increase in the coming future.

According to government policies, the following banks and financial institutions are authorised by the PRC Government to provide loans to the public:

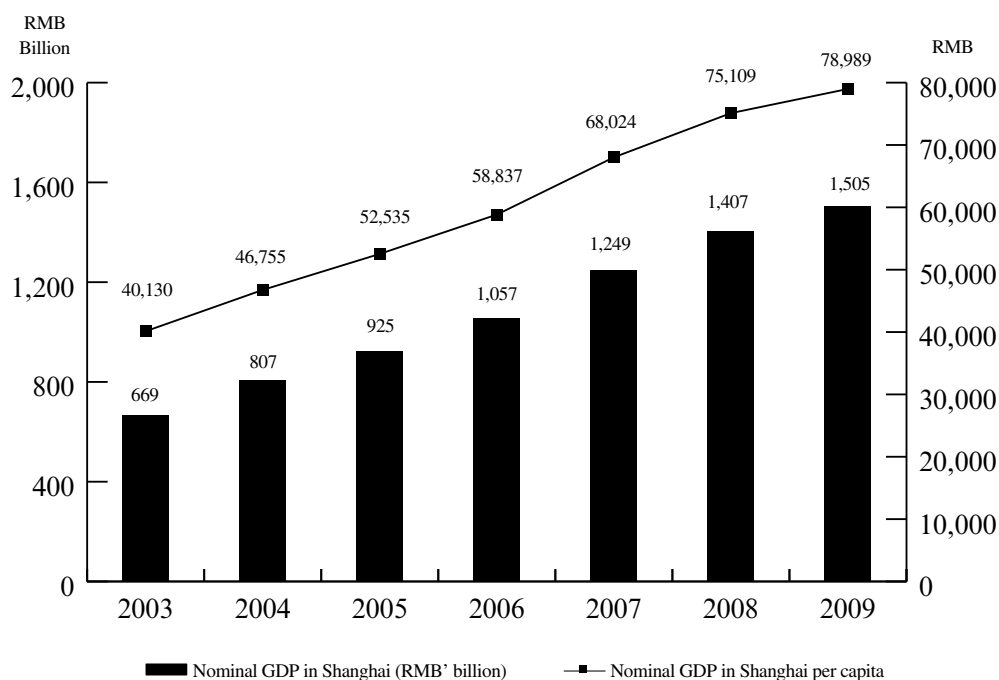
- Banking financial institutions including PRC established commercial banks, urban cooperative credit unions, rural cooperative credit unions and village and town banks which accept deposits from the public, as well as government policy implementing banks;
- Limited companies or joint stock limited companies, established through investment by approved natural persons, corporate legal entities and other social organisations, that are engaged in the microfinance business and that do not accept deposits from the public;
- Authorised non-banking institutions that engage in motor vehicle financing business operations;
- Financing companies established in the PRC that grant loans to companies forming part of the same group of companies to which the financing company belongs;
- Investment trust companies established in the PRC; and
- Consumer finance companies.

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In contrast to short-term financing service providers, the aforesaid banks and financial institutions usually grant loans to borrowers only after lengthy and complicated approval procedures, which include a review of the creditworthiness of borrowers. For private enterprises and self-employed individuals who need short-term loans to satisfy their emergency needs without solid creditworthiness history background, they are unlikely to obtain loans from the aforesaid banks and financial institutions. Short-term financing service provider is one of the alternative ways to obtain fundings for the borrowers who failed to obtain financing from the aforesaid banks and financial institutions and need cash on short notice.

RAPID GROWTH OF THE SHANGHAI ECONOMY

We are principally engaged in the provision of various services of secured financing and related consultancy services in Shanghai. Our business has benefited from the rapid economic growth in Shanghai. According to the Shanghai Statistical Bureau, the nominal GDP in Shanghai increased from approximately RMB669 billion in 2003 to RMB1,505 billion in 2009, with a CAGR of approximately 14.45% and the nominal GDP in Shanghai per capita increased from approximately RMB40,130 in 2003 to RMB78,989 in 2009, representing a CAGR of approximately 11.95%. The following diagram illustrates the nominal GDP and nominal GDP per capita in Shanghai from 2003 to 2009:



Source: Shanghai Statistical Bureau

INDUSTRY OVERVIEW

According to the Shanghai Statistical Bureau, the annual urban household disposable income and annual urban household disposable income per capita increased steadily from 2003 to 2009. The following table illustrates the annual urban households disposable income and annual urban households disposable income per capita in China and Shanghai from 2003 to 2009:

<i>RMB' billion</i>	2003	2004	2005	2006	2007	2008	2009	CAGR
Annual urban household disposable income per capita in China	8,472	9,422	10,493	11,760	13,786	15,781	17,175	12.50%
Annual urban household disposable income per capita in Shanghai	14,867	16,683	18,645	20,668	23,623	26,675	28,838	11.68%
Annual urban household consumption expenditure per capita in China	6,511	7,182	7,943	8,697	9,997	11,243	12,265	11.13%
Annual urban household consumption expenditure per capita in Shanghai	11,040	12,631	13,773	14,762	17,255	19,398	20,992	11.30%

Source: National Bureau of Statistics of China & Shanghai Statistical Bureau

According to the above table, the growth rate of urban household income in Shanghai is lower than that of urban household income in China, while the growth rate of the urban households expenditure in Shanghai is higher than that of the urban households expenditure in China for the period between 2003 and 2009.

In line with the economic growth in Shanghai, the private enterprise sector in Shanghai has expanded rapidly in recent years and the demand for funding is on the increase. According to the Euromonitor Report, there was approximately 364,700 small and medium sized enterprises in Shanghai as at 31 December 2008. The following table illustrates the short-term loans provided to private enterprises and self-employed individuals in Shanghai from 2005 to 2009:

<i>RMB' billion</i>	2005	2006	2007	2008	2009	CAGR
Short-term loans to private enterprises and self-employed individuals in Shanghai	7.7	11.2	13.5	19.6	27.5	37.5%

Source: Shanghai Statistical Bureau

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The demand for short-term loans from private enterprises and self-employed individuals in Shanghai drastically surged during the period from 2005 to 2009. Short-term loans to private enterprises and self-employed individuals in Shanghai leapt from approximately RMB7.7 billion in 2005 to approximately RMB27.5 billion in 2009, with a CAGR of approximately 37.5%. Such growth was significantly higher than the growth of the short-term loans to private enterprises and self-employed individuals in China for the same period. Taking into consideration the potential growth of the demand for short-term loans from private enterprises and self-employed individuals in Shanghai, and the fact that our major customers are private enterprises and self-employed individuals in Shanghai, our Directors are optimistic that our business will benefit from such substantial growth.

BACKGROUND OF PAWN LOAN PROVIDER

Pawn loan providers in China principally provide collateral-backed short-term financing with a short repayment period. The major customers are small to medium sized private enterprises and self-employed individuals. A pawn loan is commonly defined or understood to mean a loan provided against the security of the pledge or deposit of personal property such as jewels and other personal chattels. In many jurisdictions around the world, the pawn industry is therefore categorised as the business of lending small amounts of money in exchange for personal property that is deposited as security by the borrower. However, the pawn industry in the PRC is not restricted to the business of providing small loans against the security of pledged personal property. The Pawning Measures and other relevant PRC laws and regulations provide that pawn businesses may accept mortgages over real property as security for the provision of loans to borrowers. In practice, this means that pawnbrokers in the PRC may, within the limits prescribed by law, lend large amounts of money in exchange for real property that is mortgaged to the pawnbroker as security by the borrower. Moreover, in contrast to the common practice in many jurisdictions where pawn loans are strictly non-recourse loans for which the borrower cannot be personally liable, the Pawning Measures provide that where a borrower fails to repay a loan in excess of RMB30,000 and the money received by the pawnbroker from the sale or auction of the relevant forfeited pawned property is insufficient to repay the outstanding principal loan amount, accumulated interest and combined expenses (including the cost of the auction or sale), the pawnshop may file a suit against the borrower at the People's Court to recover the shortfall. Pawn loan providers in China are required to obtain the Pawn Operations Business Licence and Special Industry Licence 《特種行業許可證》 for the provision of pawn loan, and to comply with the Pawning Measures.

The significant differences between pawn loan providers and banks and financial institutions in China are:

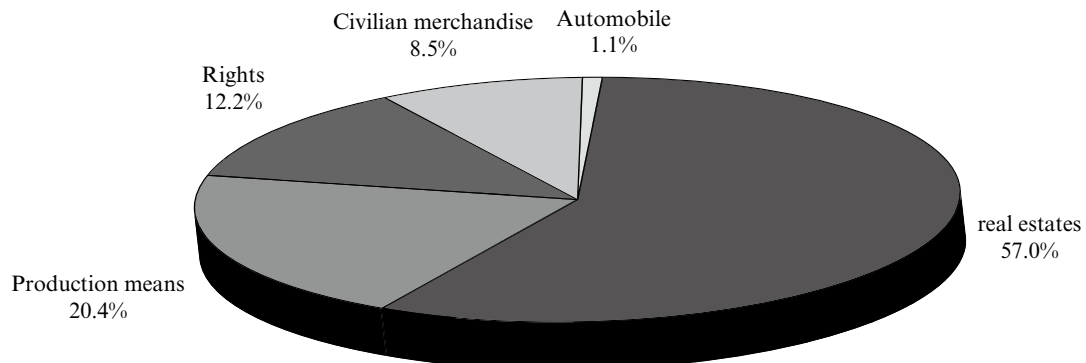
- pawn loan providers do not grant loans based solely on credit conditions nor review the creditworthiness of borrowers alone but rather than focus their attention to the legitimacy and value of the collateral held by the borrowers. On the other hand, banks and financial institutions only grant loans after lengthy consideration on the credit conditions and review the creditworthiness of their clients, including asset creditworthiness and ethical creditworthiness, and also by prescribing qualification conditions and determining the loan amount by the deposit amount;

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- pawn loan providers do not restrict the use of loans, and the full discretion of usage is with the borrowers. However, banks and financial institutions restrict the use of loans and only grant loans for specific uses, such as housing loans, automobile loans, education loans and travel loans; and
- the loan application procedures of pawn loan providers are simple, fast and convenient which are most suitable for satisfying urgent or emergency financial needs, whereas the loan application procedures of banks and financial institutions are slow and are not suitable for fulfilling urgent or emergency financial needs.

In addition, the flexibility of the services provided by pawn loan providers are relatively higher when compared with fundings provided by banks and financial institutions in China. In general, banks and financial institutions do not offer small loans and impose numerous requirements on the creditworthiness of borrowers and restrictions on the use of loans. In comparison, pawn loan providers mainly focus their attention on the quality of the collateral itself and on the title of the collateral instead of the creditworthiness of the borrower. Moreover, pawn loan providers do not create many onerous requirements or lay down inflexible conditions for the borrowers.

In 2008, 58.5% of all the collateral provided to pawn loan providers in Shanghai was real estates. The following diagram illustrates the collateral provided to pawn loan providers in Shanghai in 2009:



Source: Euromonitor Report, 上海典當行業協會

Real estate are welcomed by pawn loan providers as collateral, mainly due to i) the valuation of property can easily be obtained from the market, and the fluctuation of the value during a short period is relatively stable, and ii) the legal title of properties can be verified easily, which minimises the risk to the pawn loan provider in the case of default in the repayment of loans by the customer.

INDUSTRY OVERVIEW

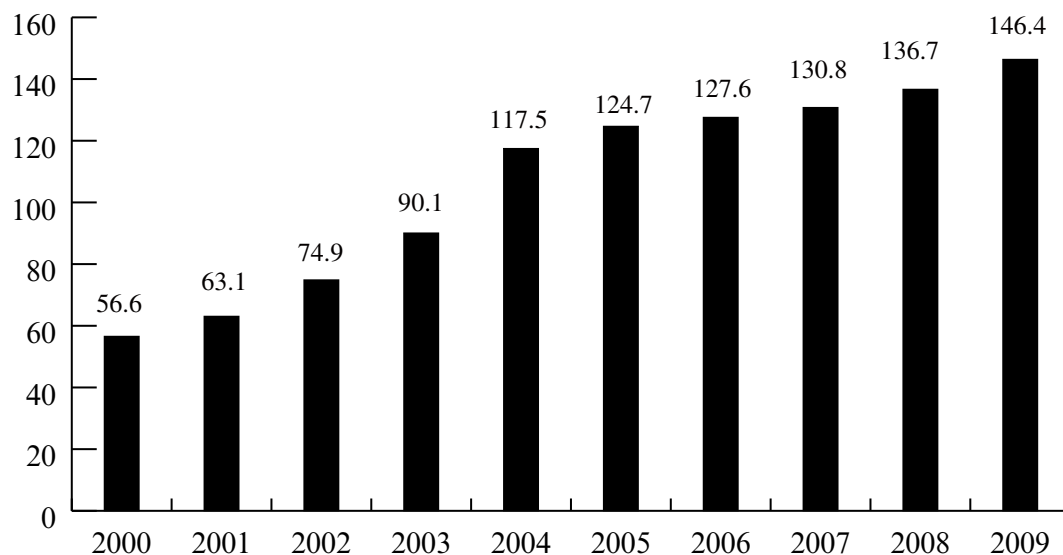
Real estate pawn loans contributed a significant portion of our turnover. According to the Shanghai Bureau of Statistics in 2009, a total GFA of approximately 135.5 million sq.m. of residential properties was completed and 29.7 million sq.m. of residential properties was under construction in Shanghai. The table sets out the total GFA completed and total GFA under construction in Shanghai from 2001 to 2009:

<i>Million square meter</i>	2001	2002	2003	2004	2005	2006	2007	2008	2009
GFA under construction in Shanghai	85.9	94.3	110.2	122.9	144.8	146.0	149.8	140.8	135.5
GFA completed in Shanghai	32.2	31.0	35.8	49.3	48.7	49.0	50.7	38.3	29.7

Source: Shanghai Statistical Bureau

The property market investment in Shanghai has steadily increased from RMB56.6 billion in 2000 to RMB146.4 billion in 2009. The following diagram illustrates the total amount of completed investment by property development enterprises in Shanghai from 2000 to 2009:

(RMB billion)



Source: Shanghai Statistical Bureau

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The following table illustrates the average retail prices of residential properties and commercial properties in Shanghai from 2001 to 2008, which represent 12.1% and 3.12% of CAGR respectively.

RMB per square meter	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Average retail price of residential properties in Shanghai	3,658	4,007	4,989	5,761	6,698	7,039	8,253	8,115	12.1%
Average retail price of commercial properties in Shanghai	9,501	8,343	9,711	9,655	11,867	12,078	14,223	11,783	3.12%

Source: Shanghai Statistical Bureau

The PRC Government has established several rules and regulations to govern the operation of banks and financial institutions in the PRC. According to China Statistic Yearbook, the interest rates offered by banks and financial institutions to the public are regulated and must not exceed certain percentage the official base interest rates established by the PBOC. According to the Pawning Measures, the interest rate of short-term pawn loan providers must not exceed the PBOC official interest rate for six month term loan, and the monthly administration fee must not exceed 4.2% of the loan amount for loans secured by pledged moveable property, 2.7% of the loan amount for loans secured by mortgaged real estate, or 2.4% of the loan amount for loans secured by pledged property rights.

THE PAWN LOAN INDUSTRY

The rapid economic growth in China over the past 30 years triggered a substantial expansion in the private enterprises sector. Although the expansion of business and various commercial activities has created a huge demand for fundings, the banks and financial institutions in China are unwilling to provide loans to private enterprises and self-employed individuals due to their internal credit policy restriction, plus the flexibility of the loans provision from the banks and financial institutions in China is easily influenced by the monetary policies. In this regard, many private enterprises and self-employed individuals are experiencing difficulties in obtaining loans from the banks and financial institutions for their business operations. Pawn loan providers are one of the major channels for private enterprises and self-employed individuals to satisfy their immediate financial needs.

Estimated China pawn loan market size

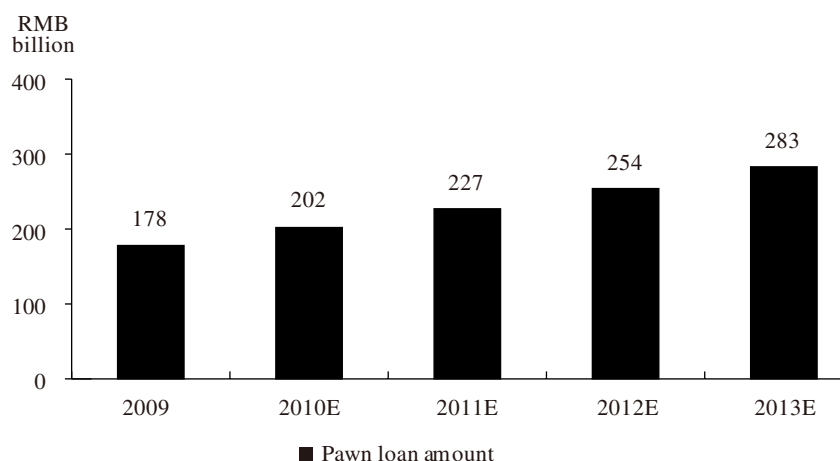
The pawn loan market has experienced significant growth in recent years. According to the Euromonitor Report, the market size of pawn loans in China in terms of pawn loan amount increased from RMB68.6 billion in 2005 to RMB178.0 billion in 2009, representing a CAGR of approximately 26.9%. The following table illustrates the pawn loan amount in China from 2005 to 2009:

<i>RMB billion</i>	2005	2006	2007	2008	2009
Pawn loan amount	68.6	96.0	119.0	154.0	178.0
Year on year growth rate	–	40%	24%	29%	15.6%

Source: Euromonitor Report

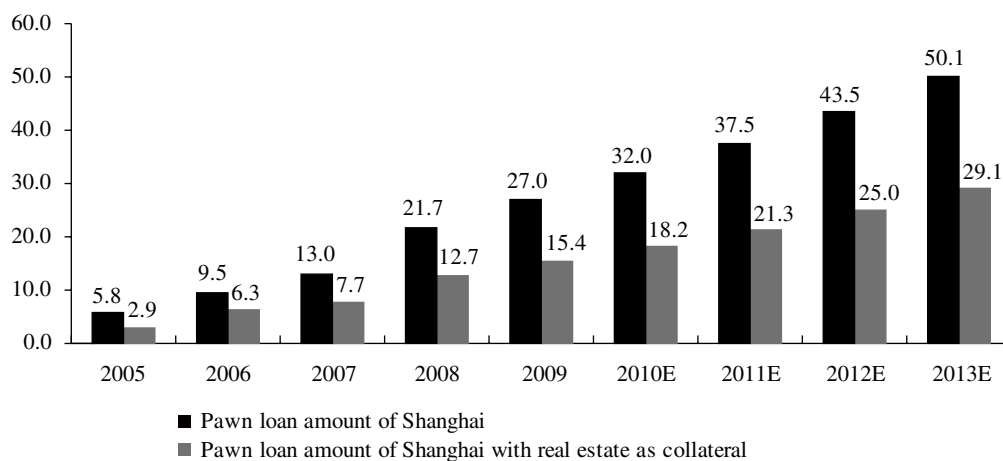
INDUSTRY OVERVIEW

Euromonitor expected that the pawn loan market will enjoy double digit growth from 2009 to 2013. According to the Euromonitor Report, the forecast pawn loan amounts are expected to grow from approximately RMB178 billion in 2009 to RMB283 billion in 2013, representing a CAGR of approximately 12.3%. The following diagram illustrates the forecast pawn loan amount in China from 2009 to 2013:



Source: Euromonitor Report

In accordance with the rapid expansion of the pawn loan market in China, the Shanghai pawn loan market has also expanded substantially from 2005 to 2009. The forecast pawn loan amount for Shanghai is approximately RMB27 billion in 2009, accounting for approximately 15% of the pawn loan amount of China in 2009. The following diagram illustrates the actual and forecast pawn loan amounts for Shanghai, and the actual and forecast pawn loan amounts of Shanghai with real estate provided for as collateral from 2005 to 2013:



Source: Euromonitor Report

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The pawn loan market in Shanghai

We were established in Shanghai in 2003 and mainly provide pawn loan services in Shanghai. According to the Euromonitor Report, the number of pawn loan providers in Shanghai increased from 54 in 2005 to 168 in 2009. The following table illustrates the number of the pawn loan provider in Shanghai from 2005 to 2009:

	2005	2006	2007	2008	2009
Number of pawn loan provider in Shanghai	54	74	105	137	168

Source: Euromonitor Report

According to the above table, there were approximately 168 pawn loan providers in Shanghai in 2009. In view of the fact that the Group is principally engaged in the provision of real estate pawn loans, we do not directly compete against all pawn loan providers in Shanghai as some of them are principally engaged in the provision of personal property pawn loans.

We are one of the most established pawn loan providers in Shanghai in terms of capital and experience. We were ranked as the fifth largest pawn loan provider in Shanghai, which accounted for approximately 3.9% of the aggregate pawn loan value of Shanghai in 2009.

According to the Euromonitor Report, the following table illustrates the market shares of the top five pawn loan providers in Shanghai in terms of the aggregate pawn loan value in 2009:

Company	Location of Headquarters	Principal Business Activities	Market Shares	Registered Capital (RMB'million)
Company A	Shanghai	Focusing on the mortgage and pledge of civilian, automobile, private property, production means, property rights as well as the sales of collateral from default pawn loans	6.8%	100
Company B	Shanghai	Financing for SMEs, the mortgage and pledge of property, automobile, civilian and securities as well as appraisal services	6.5%	90
Company C	Shanghai	Focusing on property, automobile, jewelry and antique, with property pawn broking and automobile	4.4%	50
Company D	Shanghai	Principally engaged in providing property and automobile pawn broking services	4.0%	50
The Group	Shanghai	Principally engaged in the provision of real estate pawn loan in Shanghai	3.9%	40

Source: Euromonitor Report

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According to the Pawning Measures, the maximum pawn loan amount granted by a pawn loan provider for a single Real Estate Backed Loan must not exceed 10% of its registered capital. In this regard, the profitability of pawn loan provider is largely restricted by its registered capital. In other words, the higher the registered capital of a pawn loan provider, the better profitability the pawn loan provider can generate.

The Group is currently ranked as the fifth largest pawn loan provider in Shanghai in terms of the aggregate pawn loan value in 2009, however upon completion of the increase in the registered capital of Shanghai Yintong from RMB40 million to RMB120 million, the Group will be one of the leading pawn loan providers in Shanghai in terms of registered capital. Based on the above, the Directors anticipate that the profitability of the Group would be enhanced after completion of the increase in the registered capital, and the competitiveness of the Group would be strengthened.

REGULATORY OVERVIEW

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Our Group is principally subject to the regulatory requirements in the PRC and, if our Group's money lending business in Hong Kong shall commence, our Company will also be subject to the laws regulating money lending in Hong Kong.

We are subject to all industry policies, relevant laws, regulations, rules and extensive government regulatory policies with respect to our business operations. The following is a summary of the applicable Hong Kong and PRC laws and regulations to the industry we operate/will operate.

PRC

A. Company Establishment, Foreign Investment and Management of State Owned Assets

1. *Company Law and the Wholly Foreign-owned Enterprise Law*

The establishment, operation and management of corporate entities in China is governed by the Company Law of the PRC (中華人民共和國公司法) (the “**Company Law**”), which was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993 and came into effect on 1 July 1994. The Company Law was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005. According to the Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The Company Law applies to both PRC domestic companies and foreign-invested companies; however where the Company Law is silent on matters related to foreign invested companies, such matters may be addressed by other PRC laws and regulations.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “**WFOE Law**”), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law, which was promulgated on 12 December 1990 and amended on 12 April 2001.

2. *The Provisions on Guiding Foreign Investment*

In 1995, the State Planning Commission (國家計劃委員會), the State Economic and Trade Commission (中華人民共和國國家經濟貿易委員會) and the Ministry of Foreign Trade and Economic Cooperation (對外經濟貿易部) jointly promulgated the Interim Provisions on Guiding Foreign Investment (指導外商投資方向暫行規定) (the “**Interim Foreign Investment Provisions**”) and the catalogue for the Guidance of Foreign Investment (外商投資產業指導目錄) (the “**Foreign Investment Catalogue**”), classifying all foreign investment projects into one of four categories: encouraged projects, permitted projects, restricted projects and prohibited projects. On 11 February 2002, the State Council promulgated the Provisions on Guiding Foreign Investment (指導外商投資方向規定) (the “**Foreign Investment Provisions**”), re-stating the four classifications of foreign investment projects. The Foreign Investment Provisions entered into force on 1 April 2002 and the Provisional Foreign Investment Provisions were

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simultaneously repealed. The Foreign Investment Catalogue has been revised several times since it was first promulgated, with the most significant revisions taking place in 2002, 2004 and 2007. The version of the Foreign Investment Catalogue currently in effect was jointly promulgated by the National Development and Reform Commission and the MOFCOM on 31 October 2007 and came into effect on 1 December 2007.

The purpose of the Foreign Investment Provisions and the Foreign Investment Catalogue is to direct foreign investment into certain priority industry sectors while restricting or prohibiting investment in other sectors. If the industry in which the investment is to occur falls into the encouraged category, foreign investment can be conducted through the establishment of a wholly foreign owned enterprise. If restricted, foreign investment may be conducted through the establishment of a wholly foreign owned enterprise if certain requirements are met or in some cases must be conducted through the establishment of a joint venture enterprise, with varying minimum shareholdings for the Chinese party depending on the particular industry. If prohibited, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted or prohibited categories is classified as a permitted industry for foreign investment.

3. Decision of the State Council on the Reform of the Investment System

On 16 July 2004, the State Council promulgated the Decision on the Reform of the Investment Sector (關於投資體制改革的決定) (the “**Investment Reform Decision**”), reforming the system of government supervision over enterprise investment. The Investment Reform Decision allows enterprises greater independence in making investment decisions in line with the principle that “the investor makes the investment decisions, reaps the profits and bears the risks”. According to the Investment Reform Decision, government approval is no longer required for projects that are not funded by the government. Instead, a system of ‘Authorisation’ and ‘Record-filing’ will be used based on the following principle: (a) projects not using state funds will only need governmental authorisation for important and restricted investment projects relating to public or social interest; (b) other projects without state funds, no matter how large the scale, only need to be put on record, and enterprises are free to make decisions and assume risks on market prospects, economic benefits, sources of capital and product planning.

The appendix to the Investment Reform Decision contains the Catalogue of Investment Projects Authorised by the Government (2004) (政府核准的投資項目目錄) (the “**Authorisation Catalogue**”). The Authorisation Catalogue lists: (a) major and restricted fixed-asset investment projects that are not government funded and that are subject to authorisation from relevant government departments; and (b) non-government funded projects invested in by enterprises that are neither covered in the Catalogue nor prohibited by national laws, regulations or the rules set out by the State Council and that need only be put on record.

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4. *Provisional Administrative Measures on the Examination and Approval of Foreign Investment Projects*

Pursuant to the Investment Reform Decision, on 9 October 2004 the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) (the “**NDRC**”) promulgated the Provisional Administrative Measures on the Examination and Approval of Foreign Investment Projects (外商投資項目核准暫行管理辦法) (the “**Provisional Administrative Measures**”) which became effective on the date of promulgation. According to the Provisional Administrative Measures, the NDRC shall examine and approve foreign investment projects: (i) with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is encouraged or permitted; and (ii) those with a total investment of US\$50 million or more that come within the category of industries in which foreign investment is subject to restrictions. Furthermore, foreign investment projects with a total investment of US\$500 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with total investment of US\$100 million or more that come within the category of industries in which foreign investment is subject to restrictions are subject to further approval by the State Council based on the examination and approval of the NDRC. Local counterparts of the NDRC have authority to approve projects with total investment less than the above thresholds.

5. *The State Owned Assets Law of the PRC*

The management of state owned assets is governed by the State Owned Assets Law of the PRC (中華人民共和國企業國有資產法). The State Owned Assets Law defines state owned assets as the rights and interests created through various forms of enterprise investment conducted by the state, including through the establishment of wholly state owned enterprises as well as participation in other forms of enterprises as a majority or minority shareholder. The State Owned Assets Supervision and Administration authorities represent the people’s government in performing the obligations and responsibilities of a capital provider in respect of enterprises invested by the state; and enterprises invested by the state are authorised to occupy, use, derive benefit from and dispose of moveable properties, real estate and other assets belonging to them in accordance with relevant laws and the enterprise’s articles of association. Unless relevant laws permit a direct transfer of state owned assets by agreement between the parties, all transfers of state owned assets must be based on a valuation conducted in accordance with law and completed in the public market by means of listing for sale. In the case where there are competing bidders for a state owned asset, the Company Law of the PRC provides that the other existing shareholders enjoy a right of first refusal over a successful third party bidder.

6. *The MOFCOM Rules on Overseas Investment*

The Rules on Overseas Investment (the “**Overseas Investment Rules**”) (境外投資管理辦法) were issued by MOFCOM on 16 March 2009 and came into effect on 1 May 2009. According to the Overseas Investment Rules, local Chinese enterprises proposing to engage in overseas investment where the total investment by the Chinese party would be US\$100 million or more, or local Chinese enterprises proposing to establish a ‘special purpose vehicle’ must first gain approval from the commerce authorities at the local provincial level and thereafter must seek approval from MOFCOM. The term ‘special purpose vehicle’ is defined in the Overseas Investment Rules as an overseas company which a domestic enterprise directly or indirectly controls for the purpose of facilitating the listing abroad of the domestic enterprise’s equity in a domestic company.

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7. *The Administration of State Owned Assets located Abroad*

The Provisional Measures on the Administration of State-owned Assets located Abroad (the “**Provisional Measures**”) (境外國有資產管理暫行辦法) were jointly promulgated by the Ministry of Finance (中華人民共和國財政部), the Ministry of Foreign Affairs (中華人民共和國外交部), SAFE and the General Administration of Customs (海關總署) on 27 September 1999 and came into effect on the same day. The Provisional Measures provide that the management of state owned assets located abroad should be conducted in accordance with the principle of ‘owned by the state and supervised by the relevant government department’. Regulations stipulated by the Ministry of Finance require various levels of Ministry of Finance (State Owned Asset Administration) departments to supervise and administer state owned assets belonging to corresponding levels of government in different jurisdictions. Part of the ambit of such supervision and administration includes utilising foreign organisations to develop the scope of state owned property rights, manage the registration of property rights, and arrange the collection of data on and valuations in respect of property and assets. Policies relating to the major capital operations of centrally managed enterprises established abroad must undergo examination and authorisation from the Ministry of Finance or its relevant bureaus and, where necessary must be ratified by the State Council. Domestic shareholders of an enterprise established abroad that possesses or utilises state owned assets must complete registration of the state owned property rights in accordance with the Measures for the Registration of Property Rights in State Owned Assets located Abroad (境外國有資產產權登記管理暫行辦法).

B. The Property Law, Guarantee Law, Contract Law and the Bankruptcy Law

1. *The Property Law, the Guarantee Law and the Contract Law of the PRC*

The Property Law was promulgated by the National People’s Congress (全國人民代表大會) on 16 March 2007 and came into effect on 1 October 2007. The Property Law defines ‘property’ as including immovable property and moveable property. ‘Property rights’ are defined as the right enjoyed by the property right holder to directly control, to the exclusion of others, certain property. Property rights are comprised of the right to possess, the right to use, the right to enjoy the profits and advantages from, and the right to security over a certain item of property. The Property Law stipulates that legal title to an item of property confers on the title holder the right to possess, use, derive benefit and advantage from, and to dispose of the item of property. The title holder may, in accordance relevant law, create a security interest over the item of property in favour of a creditor. Likewise, when engaging in finance or business transactions, to the extent required to protect their rights as creditors, creditors may in accordance with the Property Law and other relevant laws create security interest over a debtor’s or relevant third party’s property as security for performance of the debtor’s obligations. Where such a security interest has been created and the debtor does not fulfil its obligations or otherwise defaults under the terms of the agreement with the creditor, then unless otherwise specified by relevant law, the creditor will enjoy priority of repayment to the extent secured by the relevant property interest.

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Security interest that may be created pursuant to the Property Law include mortgages over property (in respect of which the title holder does not pass possession to the creditor) and pledges over moveable property (in respect of which the title holder surrenders possession to the creditor). Mortgage agreements and pledge agreements should be in writing and must ordinarily include the following information: the type and amount of the secured debt; the period of time in which the debtor must repay the debt; and the name, volume, scope, quality and condition of the mortgaged or pledged property. Pledge agreements should also specify the time at which pledged property is handed over by the Pledgor; and mortgage agreements should specify the location of the mortgaged property as well as the legal title holder or the permitted user of the mortgaged property.

The Guarantee Law was promulgated by the Standing Committee of the National People's Congress on 30 June 1995 and came into effect on 1 October 1995. Like the Property Law, the Guarantee Law establishes a legal framework upon which creditors may establish and enforce security interest in order to protect their rights as creditors in transactions with debtors involving finance, business and transportation or processing of goods.

The requirements of both the Property Law and the Guarantee Law in respect of the formation, performance and enforcement of contractual obligations are founded by the Contract Law of the People's Republic of China (中華人民共和國合同法) (the "**Contract Law**"). The Contract Law was promulgated by the National People's Congress on 15 March 1999 and came into effect on 1 October 1999.

2. *The Enterprise Bankruptcy Law*

The Enterprise Bankruptcy Law of the People's Republic of China (中華人民共和國企業破產法) (the "**Bankruptcy Law**") was promulgated by the National People's Congress on 27 August 2006 and came into effect on 1 June 2007. The Bankruptcy Law sets out procedures for enterprise bankruptcy, and seeks to provide a fair resolution for the settlement of debts, safeguard the legitimate rights and interest of creditors and debtors, and maintain market order. The Bankruptcy Law provides that an enterprise will be liquidated if the enterprise fails to settle its debts as and when they fall due and if the enterprise's assets are, or are demonstrably, insufficient to clear such debts.

Bankruptcy proceedings are governed by the People's Court in the jurisdiction in which the relevant debtor is domiciled. Debtors facing bankruptcy may file an application with the Court for reorganisation, compromise or bankruptcy. During a period of reorganisation, a debtor may continue to manage and operate its assets under the supervision of a bankruptcy administrator. Secured creditors are not permitted to enforce their security during a reorganisation unless there is a possibility of damage to or serious depreciation of the secured asset, in which case application for enforcement of the security may be made by the secured creditor to the Court. Secured creditors may enforce their security over a particular secured asset immediately upon the Court's acceptance of a debtor's application for compromise.

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Creditors may file an application with the Court for the reorganisation or bankruptcy of a debtor. Where an application for bankruptcy is accepted by the Court, a bankruptcy administrator will be appointed to the debtor and the debtor or asset holders of the debtor must settle all debts with or deliver all relevant assets to the administrator. Bankruptcy proceedings have binding effect over the assets of the relevant debtor beyond the territory of the PRC. Where a debtor is declared bankrupt, the debtor's assets are deemed insolvent assets. Creditors must declare their creditor's rights within a period, determined by the Court, of 30 days to 3 months from the date the Court accepts the application for bankruptcy. If a creditor fails to declare its creditor's rights during the period determined by the Court and has still not made such declaration prior to the distribution of the debtor's insolvent assets, the creditor forfeits its right to share in the distribution of the insolvent assets.

The Bankruptcy Law stipulates that secured creditors enjoy priority of repayment over non-secured creditors in respect of the asset(s) over which security was provided. However, in the case that a secured creditor does not enforce its right to security over a particular secured asset, or if having enforced such right the proceeds from the disposition of the secured asset are insufficient to discharge the secured debt, the secured creditor relinquishes its priority to repayment in respect of any outstanding corresponding debt. After the debts of secured creditors, the costs associated with the bankruptcy proceedings and all relevant community liabilities have been repaid, insolvent assets are liquidated and applied to the repayment of debts in the following order: wages and subsidies for social security payments in respect of the debtor's employees, employees' other social security premiums and the debtor's outstanding tax payment, and finally non-secured creditors.

C. The Pawn Loan Industry

We engaged in the pawn loan industry which is subject to the following PRC laws and regulations.

1. The Pawning Measures

In accordance with the Commercial Bank Law of the PRC (中華人民共和國商業銀行法) as revised in 2003, the Banking Supervision Law of the PRC (中華人民共和國銀行業監督管理法) as revised in 2003 and other relevant laws and regulations, banking and financial institutions are defined as financial institutions that, among other things, accept cash deposits from members of the public. Banks and financial institutions include commercial banks, urban cooperative credit unions, rural cooperative credit unions and village and town banks, all of which may provide short-term financing services to customers. Banks and financial institutions in the PRC come under the supervision of and must be licensed by the China Banking Regulatory Authority (中國銀行業監督管理委員會) and must have a minimum registered capital ranging from RMB1 million (for cooperative credit unions) to RMB1 billion (for national commercial banks). Pursuant to the Notice of Pawn Industry's Transfer of Regulatory Responsibilities (關於典當行業監管職責交接的通知) issued by the State Council and the PBOC in 2000, the State Council reformed the pawn industry's status from a financial institution previously governed by the PBOC to a special commerce enterprise now governed by MOFCOM, previously the State Economic and Trade Commission (國家經濟貿易委員會). The Pawning Measures were then jointly issued by MOFCOM and the Ministry of Public Security (中華人民共和國公安部) on 9 February 2005 and came into effect on 1 April 2005. As a result, pawn industry operators may be distinguished from banks and financial institutions in the PRC not only on the basis that pawn operators do not accept cash deposits from members of the public, but also because they come under a separate legal and supervisory regime.

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The Pawning Measures define “pawn” as an act whereby (i) an item of personal property (including property rights, chattels personal and moveable properties) is pledged, or real estate (including buildings, fixtures and land use rights) is mortgaged or pledged by its owner (the pledgor) to a pawnshop; (ii) on the basis of the value of the mortgaged property, the pledgor pays a fee and interest to the pawnshop and the pawnshop provides a loan to the pledgor; and (iii) within a pre-determined period the pledgor repays the loan and interest calculated thereon and by doing so discharges the pledge or mortgage and accordingly redeems the property and/or real estate.

A pawnshop is a legal person established in accordance with the Pawning Measures and the Company Law. Pawnshops come under the supervision and administration of the competent commerce authorities and public security bureaus. A pawnshop must have a minimum registered capital of RMB3 million; or RMB5 million in the case that it provides finance secured by real estate mortgages; or RMB10 million in the case that it provides finance secured by pledges over property rights. In each case, the minimum registered capital must be contributed in the form of cash.

In accordance with the Pawning Measures, it is incumbent on a pawnshop to establish and implement procedures for the safe operation of the pawn business. Such procedures include (i) the proper maintenance of paperwork for the receipt, preservation and redemption of pledged property; (ii) the careful inspection and safeguarding of pledged property; (iii) the provision of assistance in government investigations pertaining to the arrest of people suspected of crimes; (iv) the reporting of suspicious persons or circumstances to the relevant authorities; (v) the engagement of security personnel; (vi) the installation of security video and sound recording equipment, including on all business counters; and (vii) the installation of security vaults and safes adequate for the safe and secure storage of pledged property.

Pawnshops with a registered capital in excess of RMB15 million, an operating history of more than three years, and net profits and no record of unlawful business operations over the most recent two years may establish branch offices in provinces and regions outside the jurisdiction of their registration. For each branch office that is established, the pawnshop must provide a minimum of RMB5 million working capital, and the combined working capital provided to all branches must not exceed fifty percent of the registered capital of the pawnshop.

An application for the establishment of a new pawnshop or a new branch of an existing pawnshop must be submitted to local commerce authorities and thereafter must undergo examination and approval by provincial level commerce authorities and finally MOFCOM before MOFCOM can issue the requisite Pawn Operations Business Licence. Within five working days of examination and approval by MOFCOM, the relevant provincial level commerce authorities must inform the Public Security Bureau at the provincial level, which thereafter must inform the local level Public Security Bureau of the relevant circumstances of the establishment. Within ten working days of receiving a Pawn Operations Business Licence, the applicant must report to the local city-level Public Security Bureau and apply for a Special Industry Licence (特種行業許可證) by providing, among other things, floor plans, architectural drawings and schematic diagrams detailing the layout of the pawnshop premises and the installation of secure vaults, safes and security surveillance equipment. Within ten working days of receiving a Special Industry Licence, the applicant must apply at the relevant Administration of Industry and Commerce (工商局) for registration of the business and receipt of a Business Licence (營業執照).

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The Pawning Measures provide that, in addition to granting loans to pledgors who pledge their personal property, or mortgage their real property which is located in the province or region within the jurisdiction of the pawnshop's registration, or projects under-construction (在建工程) that have obtained Housing Presale Permits (商品房預售許可證), the permitted scope of a pawnshop's business includes, among other things, the sale of pledged or mortgaged property that has been forfeited by the pledgor, as well as the provision of valuation and related consultancy services. Pawnshops are not permitted to, among other things, accept mortgages over moveable properties, engage in unlawful capital raising activities, accept cash deposits in any form or provide unsecured loans. Furthermore, pawnshops are prohibited from borrowing money from any person other than commercial banks, entering into short-term loan facilities with other pawnshops, borrowing funds in excess of permitted amounts from commercial banks and engaging in investment activities. Where relevant laws of the PRC require the registration of pawned property, including in respect of mortgaged real estate or pledged automobiles, such registration must be duly completed. The PRC Legal Adviser has consulted with the officials of the SMCC and confirmed that the term "capital raising activities" is neither defined under the PRC law nor the Pawning Measures, and the proposed listing of the Company would not be deemed as a listing of Shanghai Yintong because Shanghai Yintong will not issue any shares to the public and it is regarded as a separate entity from the Company.

The appraised value of pawned property and the amount of the loan provided in respect of pawned property should be determined through consultation between the pledgor and the pawnshop. Where the parties are unable to agree on the loan amount in respect of mortgaged real estate, a qualified real estate valuer may be retained and reference may be made to the value of the real estate as determined by such valuer. The maximum term for which property may be pawned is six months, although this may be extended for further terms of a maximum of six months each by agreement between the parties. The maximum loan amount that may be provided for a single Real Estate Backed Loan must not exceed RMB1 million in the case that a pawnshop has a registered capital of RMB10 million or less. Where a pawnshop has a registered capital of over RMB10 million, the maximum loan amount for a single Real Estate Backed Loan must not exceed 10% of the registered capital amount. The maximum outstanding amount owing on property pledged or mortgaged by any one legal person or natural person must not exceed 25% of the registered capital of a pawnshop. The total outstanding amount owing in respect of personal property pledged by customers must not exceed 50% of the registered capital of a pawnshop; whereas the total outstanding amount owing in respect of real estate mortgaged by customers must not exceed 100% of the registered capital of a pawnshop. The rate of interest charged on a loan provided in respect of pawned property must not exceed the term of the loan and the People's Bank of China (中國人民銀行) official interest rate for six month term loan. Interest must not be withheld or deducted in advance. The fees payable by the pledgor include various administration fees, the combined monthly total of which must not exceed 4.2% of the loan amount for loans secured by pledged moveable property, 2.7% of the loan amount for loans secured by mortgaged real estate, or 2.4% of the loan amount for loans secured by pledged property rights.

The pawned property will be deemed forfeited if within five days of the expiration of the pawn term the pledgor has not repaid the principal amount, accumulated interest and combined expenses of the loan; or not extended the pawn term. Where pawned property is redeemed after the expiration of the pledge term (or extended pledge term), in addition to repayment of the principal amount, accumulated interest and combined expenses of the loan, the pledgor must also pay penalty interest calculated with reference to the rate of penalty interest for term loans as stipulated by the People's Bank of China as well as any related fees in accordance with the mortgage agreement. The Pawning Measures do not prescribe any threshold for the calculation of penalty interest and fees that may be charged in the case the pledged property is forfeited.

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Where the value of forfeited pawned property does not exceed RMB30,000, the pawnshop may dispose or otherwise sell the property at their own risk. Forfeited pawned property with a value exceeding RMB30,000 may be disposed in accordance with relevant provisions of the Guarantee Law, which provide that pledged/mortgaged property may be sold, including at auction, to a third party in circumstances where the mortgagor and mortgagee reach agreement for such sale. Where no agreement can be reached, the mortgagee may file a suit against the mortgagor at the People's Court (人民法院). The Pawning Measures further provide that a pawnshop and pledgor may, prior to maturity of a loan, agree that if the pawned property is forfeited the pawnshop may arrange for its sale or auction. In such case, any amount generated from the sale or auction of the pawned property that is in excess of the outstanding principal loan amount, accumulated interest and combined expenses (including the cost of the auction or sale) must be returned to the pledgor. If the money received from the sale or auction is insufficient to repay these amounts, the pawnshop may file a suit against the pledgor at the People's Court to recover the shortfall.

2. *Shanghai City Regulations on the Administration of Special Industries and the Maintenance of Public Security*

The Shanghai City Regulations on the Administration of Special Industries and the Maintenance of Public Security (上海市特種行業和公共場所治安管理条例) (the “**Regulations on Special Industries**”) were promulgated by the Standing Committee of the Shanghai Municipal People's Congress (上海市人民代表大會常務委員會) on 11 December 1997 and amended on 15 December 2000 and 26 June 2003. The Regulations on Special Industries are implemented and enforced by the Shanghai Public Security Bureau (上海市公安局) and apply to, among others, enterprises engaged in the sale of second hand goods. The Regulations on Special Industries seek to maintain social order and protect the rights and interest of citizens, legal persons and other organisations by strengthening the administration and supervision of special industries and public spaces. In addition to other permits and business licences required for the conduct of their business, enterprises engaged in the sale of second hand goods through the establishment of a pawn business must apply for and be granted a Shanghai City Special Industry Licence (上海市特種行業許可證) from the Shanghai Public Security Bureau. Grantees of a Shanghai City Special Industry Licence must undergo annual inspection by the Shanghai Public Security Bureau.

According to the Regulations on Special Industries, pawn shop employees must possess valid personal identification documents and, in the case of employees from foreign countries, conform to the conditions stipulated by other relevant national and local employment laws. Security personnel, registrars and custodians of valuable pledged property must complete vocational training in law and public security, undergo examination by the Public Security Bureau and attain requisite qualifications prior to being employed by a pawn shop. Persons in charge of business operations must also complete vocational training in law and public security organised by the Public Security Bureau.

The Regulations on Special Industries further require that enterprises engaged in the sale of second hand goods: (i) must implement a system for the verification and registration of the purchase, consignment, pawn and auction of goods; (ii) must not purchase, put on consignment, pawn or auction any goods in respect of which the conduct of business is prohibited by the State or by the Shanghai municipality; (iii) must not purchase goods that are outside the enterprise's permitted scope; and (iv) must not purchase any scrap metal goods within the vicinity of rail lines, airports, wharfs, military restricted areas or smelters.

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3. *Shanghai City Measures on the Administration of the Second Hand Goods Industry and the Maintenance of Public Security*

The Shanghai City Measures on the Administration of the Second Hand Goods Industry and the Maintenance of Public Security (上海市舊貨業治安管理办法) (the “**Measures**”) were promulgated by the Shanghai Municipal Government (上海市人民政府) on 17 September 1989 and came into effect on 1 December 1989. The Measures are aimed at strengthening the administration of the second hand goods industry, preventing unlawful and criminal activities, and protecting social order. The Measures define the ‘second hand goods industry’ as specialised or other business operations involving the purchase, consignment, pawn or auction of used consumer commodities (not including waste products), scrap metals (including platinum-group metals), cultural and historical objects, and articles of handicraft. Any enterprise or sole proprietor wishing to engage in the second hand goods industry must receive prior approval from relevant local authorities and apply for a licence from the local Public Security Bureau. Upon receipt of such licence, business operations cannot commence until registration has been completed with, and a Business Licence or Vendor’s Stand Licence (設攤證) has been attained from, the local Administration of Industry and Commerce. Where a person conducts business in the second hand goods industry without complying with the above procedures, the Public Security Bureau may confiscate the relevant goods or any illegal income, and a fine of up to RMB30,000 for an enterprise or RMB1,000 for an individual may be imposed by the Administration of Industry and Commerce.

D. The Guarantee Industry and Entrusted Loan in the PRC

1. *The Guiding Notice*

On 25 February 2009, the Department of Foreign Investment Administration of MOFCOM issued the Guiding Notice on the Examination and Approval of Foreign Invested Guarantee Companies (外商投資擔保業審批指引) (the “**Guiding Notice**”). According to the Guiding Notice, foreign investors with exemplary credit ratings and relevant industry experience and if their net assets for the preceding year in excess of RMB50 million are permitted to establish a limited liability company in China in the form of a joint venture with a Chinese partner or a wholly foreign owned enterprise where foreign investors’ net assets for the preceding year exceeding US\$50 million, in each case to be engaged in the provision of guarantee services. Such foreign invested guarantee companies must have a registered capital of at least US\$10 million, all of which must be contributed in cash.

The scope of business of a guarantee company includes, among other things, the provision of investment and consultancy services relevant to guarantees. Where a guarantee company proposes to establish a branch office in a new city or province, approval must be obtained from the guarantee company’s original approval authority. The supervisory authority over finance guarantee companies are the supervisory departments as designated by the government at the provincial, autonomous region or county level.

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2. *The General Rules on Credit*

The General Rules on Credit (貸款通則) (the “**General Rules**”) were promulgated by the People’s Bank of China (中國人民銀行) on 28 June 1996 and came into effect on 1 August 1996. The General Rules define a “loan provider” as a PRC owned financial institution established in the PRC that engages in the provision of interest bearing loans. One type of loan defined in and regulated in accordance with the General Rules is an entrusted loan. Entrusted loans are an arrangement whereby the capital for a loan is supplied by a government department, an enterprise or a natural person (the “**capital provider**”) and entrusted to a financial institution as the loan provider. Entrusted loans are made by the loan provider to a specified borrower for a particular purpose and in an amount, for a term and at an interest rate determined by the capital provider. The term “specified borrower” (確定的貸款對象) describes the party specified by the capital provider as the person who will receive the amount of an entrusted loan (the “**loan recipient**”). The General Rules do not contain any restriction or prohibition on the provision of entrusted loans to specified borrowers who are related parties to the capital provider. While the loan provider exercises supervision over and receives repayment from the loan recipient, the loan provider does not assume any risk of default in repayment by the loan recipient. In accordance with the General Rules and the relevant judicial interpretation from the Supreme People’s Court of the PRC, in an entrusted loan arrangement, the relationship between the loan provider and the capital provider is that of trustee and trustor; and the relationship between the loan provider and the loan recipient is that of lender and borrower. No creditor/debtor relationship exists between the capital provider and the loan recipient. The General Rules require that loan providers must be authorised by and have been granted a Financial Institution Licence (金融機構法人許可證) or a Financial Institution Operation Licence (金融機構營業許可證) from the People’s Bank of China (中國人民銀行); and must have registered with the State Administration for Industry and Commerce (工商行政管理部門). The General Rules further stipulate that enterprises which are not authorised and registered as loan providers must not breach the laws of the PRC by engaging in intercompany loan transactions or the provision of loans through unauthorised means. An intercompany loan is a loan provided directly from one company to another where the loan provider is not authorised and registered as loan provider. The General Rules provide that the People’s Bank of China may impose sanctions on an intercompany loan provider and enforce a penalty of up to 500% of the income received from the provision of the loan.

3. *The Interim Measures for the Administration of Financial Guarantee Companies*

In accordance with Article 8 of the Interim Measures for the Administration of Financial Guarantee Companies (融資性擔保公司管理暫行辦法), which was promulgated by the China Banking Regulatory Commission, the National Development and Reform Commission, MOFCOM and seven other Ministries of the PRC on 8 March 2010, the establishment of a financial guarantee company or a branch thereof is subject to the receipt of approval and the issue of a financial guarantee services licence from the relevant provincial level supervisory authority. As at the Latest Practicable Date, no specific implementation rule has been announced in Jiangsu Province for the issue of the financial guarantee services licence. According to Article 26 of the Interim Measures, the amount of fees that may be collected by financial guarantee companies for the provision of guarantee services may be determined with reference to the level of risk involved in the transaction and through negotiations between the financial guarantee provider and person for whom the guarantee is provided. There is no restriction on foreign investment in the loan guarantee business. The regulatory threshold for the size of a guarantee that may be provided by a loan guarantee company is ten times the company’s net assets.

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4. *The Administrative Measures on Foreign Investment in the Finance Lease Business*

According to the Administrative Measures on Foreign Investment in the Lease Business (外商投資租賃業管理辦法), announced by MOFCOM and which came into effect on 5 March 2005, foreign investors in a foreign invested lease enterprise or a foreign invested financial lease enterprise must have minimum total assets of USD5,000,000. A foreign invested financial lease enterprise must have a minimum registered capital of USD10,000,000 and must employ specialised staff and senior management possessing relevant qualifications and a minimum of three years' relevant professional experience. Where the enterprise takes the form of a limited liability company, the term of operation of the company will generally not exceed 30 years. For the establishment of a foreign invested financial lease enterprise, preliminary application has to be made to and accepted by the relevant provincial level commerce authorities and sent on to MOFCOM. MOFCOM must then issue an Approval Certificate for a Foreign Investment Enterprise (外商投資企業批准證書).

E. **Real Estate and Moveable Property Laws**

1. *Measures for the Administration of Real Estate*

The Measures for the Administration of Real Estate in Cities (中華人民共和國城市房地產管理法) (the “**Real Estate Measures**”) were promulgated by the Standing Committee of the National People's Congress on 5 July 1994 and came into effect on 1 January 1995. The Real Estate Measures aim to strengthen the administration of Real Estate located in cities, protect the real estate market, guarantee the legal rights and interest of real estate holders and promote the sustained development of the real estate industry. ‘Real estate transactions’ are defined in the Real Estate Measures as including the sale or mortgage of real estate and the lease of buildings and structures constructed on land. At the time real estate is sold or mortgaged, legal title to the buildings and the land use rights to the underlying land on which such buildings are situated are also sold or mortgaged. Accordingly, the Real Estate Measures provide that where legal title to a building is lawfully obtained, the title holder may mortgage the land use rights to the land on which such building is situated. The land use rights certificate and the building title certificate are required for the creation of a mortgage over real estate, and the mortgage must be evidenced in a written agreement between the mortgagor and mortgagee. All mortgages over real estate must be registered with the relevant authorities designated by local government at county level or above. Where buildings and land use rights are forfeited pursuant to a mortgage agreement, registration of transfer of ownership must be completed in compliance with the Real Estate Measures.

2. *Shanghai Regulations on the Lease of Buildings*

The Shanghai Regulations on the Lease of Buildings (上海市房屋租賃條例) (the “**Shanghai Regulations**”) were promulgated by the Standing Committee of the Shanghai Municipal People's Congress on 27 December 1999 and came into effect on 1 July 2000. The Shanghai Regulations are based on the Measures for the Administration of Real Estate and other relevant laws and regulations, and seek to standardise the property leasing procedures in Shanghai, protect the lawful rights and interest of lessors and lessees, and maintain order in the property leasing market. According to the Shanghai Regulations, property lease agreements must include the following information: the names and addresses of the parties to the lease; details of the location, total area, structure type, ancillary facilities and equipment to be leased; the use of the building; the completion date of the building; the term of the lease; the amount,

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method of payment and time of payment of the rent; the use and the party responsible for maintenance of the leased building; the prescribed condition of the building at the expiration of the lease term; liability for breach of the lease; method of dispute resolution; and other matters determined by the parties. The lease agreement and any agreement amending the lease agreement must be registered at the local district or county level real estate registration authority. The interest of a bona fide third party will not be defeated where such registration is not duly completed.

Unless otherwise stipulated in relevant Shanghai government regulations, where a lease is created in respect of buildings constructed on land for which land use rights were assigned to the holder thereof, the lessor must transfer a portion of the rent that represents the interest and benefits derived from the use of the land.

The Shanghai Regulations define ‘sub-lease’ as the leasing out by a lessee to a third party of a part or all of a premises leased by the lessee from a lessor during the term of a lease between the lessee and the lessor. Where a lease contracts stipulates that a lessee may sub-lease the premises, the lessee may sub-lease the premises. If the lease contract contains no such stipulation, a lessee wishing to sub-lease the premises must obtain the written consent of the lessor. Where no such consent has been provided and the lessee sub-leases the premises, the lessor is entitled to terminate the lease contract with the lessee. The term of any agreement for the sub-lease of a premises must not exceed the term of the lease agreement. Unless otherwise agreed by the lessor and the lessee, during the term of a sub-lease the lessee must continue to perform their obligations under the lease. If during the term of a lease a lessee wishes to transfer their rights and obligations under the lease agreement to a third party, consent of the lessor must be provided in writing, the third party transferee must enter into an agreement with the lessor evidencing the change in the lessee’s identity, and the third party transferee must continue to fulfil obligations as lessee under the lease contract.

F. Criminal and Civil Procedural Laws

In accordance with the Criminal Procedural Law of the PRC (中華人民共和國刑事訴訟法), the Civil Procedural Law of the PRC (中華人民共和國民事訴訟法), the Notice on the Investigation and Prosecution of Economic Crimes Uncovered during Cases involving Economic Disputes (關於及時查處在經濟糾紛案件中發現的經濟犯罪的通知) issued by the Supreme People’s Court of the PRC (最高人民法院), the Supreme People’s Procuratorate of the PRC (最高人民檢察院) and the Ministry of Public Security of the PRC in 1985, and the Judicial Interpretation of Several Questions relating to Criminal Procedural Matters (“中華人民共和國刑事訴訟法”若干問題的解釋) issued by the Supreme People’s Court of the PRC in 1998, in cases in which a People’s Court hears a matter that involves elements of both criminal and civil liabilities, the People’s Court should deal with and pass judgement on matters pertaining to criminal liability prior to resolving matters relating to civil liability. According to this principle, if any level of the People’s Court uncovers evidence of an economic crime, the People’s Court should provide all relevant materials and information to the public security bureau or the procuratorate with jurisdiction over the matter, and the relevant public security bureau or procuratorate must proceed to investigate. While this principle is established by the abovementioned laws and notices, there is no determinative law, rule or regulation that specifies the proper procedure for the use or application of the principle.

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G. Employment Laws

1. *The Employment Contract Law*

The Employment Contract Law (中華人民共和國勞動合同法) was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and came into effect on 1 January 2008. The Employment Contract Law is primarily aimed at the regulation of employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labour contracts. Under the Employment Contract Law, (i) employers must pay employees double income in circumstances where an employer fails to enter into an employment contract within one year with an employee who works for the employer for a period exceeding one month. Where such period exceeds one year, the parties are deemed to have entered into a labour contract with an "unfixed term"; (ii) employees who fulfil certain criteria, including having worked for the same employer for ten years or more, may demand that the employer execute a labour contract with an unfixed term; (iii) employees must adhere to regulations concerning commercial confidentiality and non-competition; (iv) the range of situations in which employers must lawfully compensate employees has increased; (v) an upper limit has been set on the amount of compensation an employer may seek for an employee's breach of the agreed service term. The upper limit may not exceed the cost of training supplied to the employee; (vi) employees in respect of whom employers have not in accordance with law made social insurance contributions may terminate their employment contracts; (vii) employers who demand money or property from employees by way of guarantee or whatsoever may be fined a maximum of RMB2000 for each employee; and (viii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay employees compensation in the order of 50% to 100% of the amount of salary so deprived.

2. *Law on Employment Promotion*

The Law of the People's Republic of China on Employment Promotion (中華人民共和國就業促進法) (the "**Law on Employment Promotion**") was promulgated by the Standing Committee of the National People's Congress on 30 August 2007 and came into effect on 1 January 2008. The Law on Employment Promotion contains provisions on employment issues including policy support, fair employment, employment services and management, and vocational education and training. More particularly, the Law on Employment Promotion (1) states explicitly that discriminatory employment practices should not be adopted and, in circumstances where such practices are adopted, employees have the right to launch a suit with the People's Court; (2) provides that public employment service agencies established by the People's Government at county level or above should provide employees free services such as consultation on employment policies and laws and regulations, vocational training and placement, and price guidance for market wages; (3) perfects an employment and unemployment registration system, stipulating that employers must complete employment registration with public employment service agencies for employees after they have been recruited; while employees who are individual operators or engaged in unfixed jobs may conduct employment registration with community public employment service agencies, and shall be entitled to applicable support policies upon registration.

REGULATORY OVERVIEW

H. Rules on Foreign Exchange and Dividend Distribution

1. *The Foreign Currency Administration Rules*

The principal regulation governing foreign currency exchange in the PRC is the Foreign Currency Administration Rules (外匯管理條例) which was issued by the State Council in January 1996, became effective in April 1996 and was amended in January 1997 and 5 August 2008. Under these rules, RMB is freely convertible for payments of current account items, including trade and service related foreign exchange transactions and dividend payments, but not for capital account expenses, including direct investment, loan or investment in securities outside the PRC. RMB may only be converted for capital account expenses once the prior approval of SAFE has been obtained. Under the Foreign Currency Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions. They may also retain foreign exchange (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign invested enterprises to purchase and retain foreign currencies in the future. In addition, foreign exchange transactions involving direct investment, loans and investment in securities outside the PRC are subject to limitations and require approvals from SAFE.

2. *SAFE Registration*

Pursuant to the State Administration of Foreign Exchange Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 75”), issued on 21 October 2005, (i) PRC residents should register with the local branch of SAFE before establishing or controlling a privately held overseas special purpose vehicle (the “**overseas SPV**”) for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interest in a domestic enterprise into an overseas SPV, or engages in overseas financing after contributing assets or equity interest into an overseas SPV, such PRC resident shall register his or her interest in the overseas SPV and the change thereof with the local branch of SAFE; and (iii) when the overseas SPV undergoes a material event outside of the PRC, such as a change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of SAFE. In May 2007, SAFE issued guidance to its local branches with respect to the procedures for SAFE registration which strengthen the supervision of registrations pursuant to SAFE Circular No. 75 and impose obligations on onshore subsidiaries of the overseas SPVs to coordinate and supervise the relevant PRC residents to complete registration. Under the SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary’s foreign exchange activities and its ability to distribute dividends to overseas SPV, as well as the imposition of penalties in accordance with the law.

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Mr. Shi, our controlling shareholder and a Canadian citizen ordinarily resident in the PRC, has completed registration procedures under SAFE Circular No. 75 on 12 April 2010. As confirmed by the PRC Legal Adviser, the other Shareholders, Jiefang Media and Mr. Yam, are not required by PRC law to complete registration procedures under SAFE Circular No. 75 on the basis that: (i) Jiefang Media was not established by a PRC resident as a privately held enterprise but is a wholly state-owned enterprise established overseas by a domestic state-owned enterprise as approved by the Shanghai Publicity Bureau of State Owned Assets Supervision through the entrustment of the Shanghai Municipal State-owned Assets Supervision and Administration Commission; (ii) Jiefang Media is not, in accordance with the PRC Company Law (中華人民共和國公司法), the controlling shareholder of our Company nor was it established for the purpose of engaging in equity financing with the enterprise assets or interests it holds inside the PRC and does not therefore come within the definition of a “special purpose vehicle for round trip financing” for the purpose of SAFE Circular No. 75; and (iii) Mr. Yam is not a PRC resident.

3. *Regulation on Dividend Distribution*

The principal laws and regulations governing distribution of dividends paid by PRC wholly foreign-owned enterprises include (i) the Company Law; (ii) the WFOE Law; and (iii) WFOE Law Implementing Rules. Under the above laws and regulations, domestic companies and wholly foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds. Until such time as the accumulated reserve funds reach and remain above 50% of the enterprise’s registered capital amount, these reserves are not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

I. Regulation on overseas listing

On 8 August 2006, MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC and SAFE, jointly adopted the M&A Rules, which came into effect on 8 September 2006. The M&A Rules provide that an offshore special purpose vehicle established for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

On 22 June 2009, the MOFCOM issued the Amendments to Regulations of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於修改《關於外國投資者併購境內企業的規定》的決定), revising the provisions on the anti-monopoly review for mergers and acquisitions of domestic enterprises by foreign investors.

According to the PRC Legal Adviser, the M&A Rules relate to the acquisition by a foreign investor of the assets or equity interests of a PRC domestic (non-foreign invested) enterprise. Since the implementation of the M&A Rules in September 2006, it has been widely observed that the M&A Rules do not apply in circumstances where a foreign investor seeks to utilise a PRC incorporated wholly foreign owned enterprise (WFOE) to acquire the assets or equity of a domestic enterprise if the WFOE was established prior to September 2006. The M&A Rules are therefore not relevant to the reorganisation of our Group and the Listing for the following reasons: (i) the reorganisation does not involve the acquisition

REGULATORY OVERVIEW

of the assets or equity of Shanghai Yintong; (ii) Lucky Consultants is a foreign-invested enterprise established in 1998, before the effective date of the M&A Rules, so any acquisition or other investment and business operation carried out domestically by Lucky Consultants is not subject to the M&A Rules, including the reporting and approval requirements with MOFCOM; and (iii) both Xinhua Publishing, established in the PRC on 22 September 2000, and Jiefang Media, established by Xinhua Publishing as a foreign enterprise for the purpose of overseas business development on 8 August 2006, were established before the effective date of the M&A Rules. Likewise, since Lucky Consultants is a foreign-invested enterprise established before the effective date of the M&A Rules, the overseas listing of its overseas shareholder does not require approval from the CSRC in accordance with the M&A Rules of any other PRC law, regardless of whether Lucky Consultants' operations in the PRC include the holding of other equities, any asset merger or acquisition, or the entry into and performance of the Structure Contracts.

In addition, in respect of the overseas listing of a company in which a Chinese State-owned enterprise is a shareholder, according to the Circular of the State Council Concerning the Further Strengthening of the Administration of Share Issuance and Overseas Listings (國務院關於進一步加強在境外發行股票和上市管理的通知), approval from SASAC must be received only in the case that the Chinese State-owned enterprise is the controlling shareholder of the company. As neither Xinhua Publishing nor Jiefang Media are controlling shareholders of the Company on the basis that under Article 217 of the Company Law of the PRC, they do not hold more than 50% or a majority of the shares of the Company and they are not able to exercise actual control over the Company by any other means, therefore no approval from SASAC is required for the proposed listing of the Company.

As for Mr. Yam's 7.5% shareholding in the Company, since Mr. Yam is a resident of Hong Kong and is not a controlling shareholder or an actual controller of the Company, approval from CSRC is not required in respect of Mr. Yam's 7.5% shareholding in the Company.

Hong Kong

As disclosed in the paragraph headed "Our Business Strategies" in the section headed "Business" in this prospectus, we aim to commence money lending business in Hong Kong and have already obtained the Money Lenders Licence on 21 January 2010. When we commence such business in Hong Kong, we will be regarded as a money lender and will be subject to provisions governing the carrying on of the business of money lenders under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The Money Lenders Ordinance contains provisions that regulate and govern the conduct of money lenders and money-lending transactions in Hong Kong. A money lender is a person whose business (whether or not he carries on any other business) is that of making loans or who advertises or announces himself or holds himself out in any way as carrying on that business. In general and subject to certain exceptions, any person who carries on business as a money lender must apply for and maintain a licence issued by the licensing court under that ordinance. A licence is valid for 12 months. An application for or renewal of this licence is subject to any objection by the Commissioner of Police, who is empowered to carry out investigation in respect of such application or renewal including inspection of books and records provided by the applicant. The register of licensed money lenders is currently kept in the Companies Registry and available for inspection.

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The Money Lenders Ordinance also provides for protection against and relief against excessive interest rates. Any person who lends or offers to lend money at an effective rate of interest which exceeds 60% per annum commits an offence. It also stipulates various mandatory documentary and procedural requirements that are required to be observed by a money lender in order to enforce in the courts of law a lending agreement or security being the subject of that ordinance.

Regulatory Compliance

The PRC Legal Adviser has confirmed that Shanghai Yintong, Lucky Consultants and Baokang Guarantee are lawfully established and validly existing companies. We have duly completed registration with the relevant company registration authorities, obtained approvals and all requisite licences from MOFCOM and passed all annual inspections by the Public Security Bureau, in each case in accordance with all relevant laws relating to our business operations. Furthermore, the PRC Legal Adviser is of the view that we have implemented the requisite measures to ensure that our on-going operations are lawful and are in accordance with all relevant regulatory rules and requirements.

In particular, in respect of Shanghai Yintong, we have undertaken the following measures to improve our system of corporate governance, strengthen our internal rules/policies and maintain open and effective communication with the supervisory authority:

- (i) We have continually improved our corporate governance system and developed the system for our shareholders to assume the role as supervisors, ensuring the systematic implementation of policies aimed not only at reducing operational risks but also ensuring our ongoing compliance with regulatory requirements. Such policies include (a) all major corporate actions (including, without limitation, matters in respect of loans exceeding RMB4 million) must undergo review by and are subject to approval from a Directors' loan approval committee; and (b) all routine corporate activities (including matters in respect of loans for less than RMB4 million) are subject to initial review and evaluation by the relevant operations manager before being submitted for further and final deliberation by our loan approval committee;
- (ii) Our Directors believe the pawn industry in China remains in a period of rapid development with a relatively clear policy direction. In order to ensure our operations are in compliance with relevant laws, we have maintained open and effective communication with the supervisory authority, the SMCC. This has particularly been the case in respect of business operational matters relating to our Listing. With Shanghai Yintong's active discussion and consultation with the SMCC regarding, among other things, the Structure Contracts, the competent department of the SMCC has confirmed Shanghai Yintong has complied with relevant laws and regulations and has evidenced its support for our ongoing operations and our implementation of the Structure Contracts.

HISTORY AND REORGANISATION

OUR HISTORY AND DEVELOPMENT

Our corporate development

Our Group was founded by Mr. Shi in June 2003 when he, through his wholly and beneficially owned company, Jinhan Investment, established Shanghai Yintong to provide secured financing solutions in Shanghai, the PRC. At the time of establishment of Shanghai Yintong, Jinhan Investment was held as to 81.25% by Mr. Shi and 18.75% by Mr. Ji in trust for Mr. Shi. In October 2008, at Mr. Shi's request, such 18.75% equity interests in Jinhan Investment was transferred by Mr. Ji (as trustee of Mr. Shi) to Mr. Jia Jun (賈軍) (as trustee of Mr. Shi). As at the Latest Practicable Date, Jinhan Investment was held as to 81.25% by Mr. Shi and 18.75% by Mr. Jia Jun (賈軍) in trust for Mr. Shi. Mr. Jia Jun (賈軍) has been the duty general manager of Jinhan Investment since January 2004 and the chairman of the supervisory committee of Shanghai Yintong since February 2009. Mr. Shi has confirmed that the 18.75% equity interests in Jinhan Investment was first held by Mr. Ji and subsequently held by Mr. Jia Jun (賈軍) in trust for him as the then PRC law required that a limited liability company shall have at least two shareholders. Mr. Shi became a Canadian citizen in May 2004. The PRC Legal Adviser has confirmed that the above trust arrangements do not contravene the PRC law and are legal, valid and enforceable against the parties thereto.

The corporate history of the members of our Group is set out below:

Shanghai Yintong

Shanghai Yintong was established in June 2003 with an initial registered capital of RMB30 million, which was funded as to 50% by Jinhan Investment and 50% by Aohua Investment. Since its establishment, Shanghai Yintong has been focused on offering secured financing to SMEs and individuals in Shanghai, the PRC.

Since its establishment, the equity interests of Shanghai Yintong underwent the following changes:

- (a) Pursuant to three equity transfer agreements dated 10 November 2003, Aohua Investment transferred 30%, 10% and 10% equity interests in Shanghai Yintong to Shanghai Maosheng, Jinhan Investment and Hengzhu Enterprise, respectively, for a consideration of RMB9 million, RMB3 million and RMB3 million, respectively. As a result, Shanghai Yintong was owned as to 60% by Jinhan Investment, 30% by Shanghai Maosheng and 10% by Hengzhu Enterprise. To the best of our Directors' knowledge, the reason for these transfers was Aohua Investment decided to divest its investment in secured financing business.
- (b) Pursuant to an equity transfer agreement dated 28 June 2004, Hengzhu Enterprise transferred 10% equity interests in Shanghai Yintong to Mr. Jiang Yong (蔣勇) at a consideration of RMB3 million. As a result, Shanghai Yintong was owned as to 60% by Jinhan Investment, 30% by Shanghai Maosheng and 10% by Mr. Jiang Yong (蔣勇). To the best of our Directors' knowledge, the reason for this transfer was Mr. Jiang Yong (蔣勇), holding 90% equity interest in Hengzhu Enterprise, decided to own the equity interests in Shanghai Yintong in person.

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- (c) Pursuant to the resolutions passed at the general meeting of Shanghai Yintong on 12 April 2005, the then shareholders of Shanghai Yintong approved the investment of RMB10 million by Mr. Ting in Shanghai Yintong, representing 25% of the enlarged equity interests of Shanghai Yintong, and the increase of its registered capital to RMB40 million. Pursuant to an equity transfer agreement dated 15 April 2005, Mr. Jiang Yong (蔣勇) transferred 10% equity interests in Shanghai Yintong to Hengzhu Enterprise at a consideration of RMB3 million. Pursuant to an equity transfer agreement dated 18 April 2005, Shanghai Maosheng transferred 30% equity interests of Shanghai Yintong to Jinhan Investment at a consideration of RMB9 million. As a result, Shanghai Yintong was owned as to 67.5% by Jinhan Investment, 25% by Mr. Ting and 7.5% by Hengzhu Enterprise, and the registered capital of Shanghai Yintong was increased to RMB40 million. To the best of our Directors' knowledge, the reasons for such changes were (i) Shanghai Maosheng decided to divest its investment in Shanghai Yintong in order to focus on operating its other businesses; (ii) Mr. Ting, who had an optimistic view of the secured financing industry, decided to invest in Shanghai Yintong; (iii) Mr. Jiang Yong (蔣勇) decided to own his equity interests in Shanghai Yintong through a body corporate; and (iv) Jinhan Investment decided to increase its investment in Shanghai Yintong.
- (d) Pursuant to (i) two equity transfer agreements both dated 27 March 2007, Hengzhu Enterprise transferred 5% and 2.5% equity interests in Shanghai Yintong to Mr. Lin Zhi Qun (林志群) and Runxun Concept, respectively, at a consideration of RMB2 million and RMB1 million, respectively; (ii) an equity transfer agreement dated 27 March 2007, Jinhan Investment transferred 7.5% and 3.75% equity interests in Shanghai Yintong to Mr. Lin Zhi Qun (林志群) and Mr. Xu Hai Xin (徐海欣), respectively, at the consideration of RMB3 million and RMB1.5 million, respectively; and (iii) an equity transfer agreement dated 27 March 2007, Mr. Ting transferred 12.5% equity interests in Shanghai Yintong to Mr. Lin Zhi Qun (林志群) at a consideration of RMB5 million. As a result, Shanghai Yintong was owned as to 56.25% by Jinhan Investment, 25% by Mr. Lin Zhi Qun (林志群), 12.5% by Mr. Ting, 3.75% by Mr. Xu Hai Xin (徐海欣) and 2.5% by Runxun Concept. To the best of our Directors' knowledge, the reasons for such transfers were: (i) Mr. Lin Zhi Qun (林志群), Mr. Xu Hai Xin (徐海欣) and Runxun Concept, who had an optimistic view of the secured financing industry, decided to invest in Shanghai Yintong; and (ii) Mr. Jiang Yong (蔣勇) and Jinhan Investment decided to divest their equity interests in Shanghai Yintong.
- (e) Pursuant to an equity transfer agreement dated 9 November 2008, Runxun Concept transferred 2.5% equity interests in Shanghai Yintong to Mr. Ting at a consideration of RMB1 million. On 12 November 2008, Mr. Ting transferred 15% equity interests in Shanghai Yintong to Mr. Shi at a consideration of RMB6 million and, pursuant to a trust agreement dated 12 November 2008, such 15% equity interests in Shanghai Yintong was held by Mr. Ting in trust for Mr. Shi. As a result, Shanghai Yintong was owned as to 56.25% by Jinhan Investment, 25% by Mr. Lin Zhi Qun (林志群), 15% by Mr. Shi and 3.75% by Mr. Xu Hai Xin (徐海欣). To the best of our Directors' knowledge, the reasons for such transfer were (i) Mr. Shi was optimistic

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about the prospect of the growth of Shanghai Yintong and decided to put more effort into Shanghai Yintong; and (ii) Runxun Concept and Mr. Ting decided to divest their equity interests in Shanghai Yintong. The circumstances leading to the trust arrangement was that at the material time Mr. Shi became a Canadian citizen and thus he could not become the registered holder of equity interests in Shanghai Yintong as it is a domestic enterprise, Mr. Ting was a Chinese national when the trust was established in November 2008. As acknowledged by the SMCC in a confirmation letter dated 30 June 2010, the beneficial interest in Shanghai Yintong held by Mr. Shi through the trust arrangement with Mr. Ting was legal and valid given the funding used by Mr. Shi to make the capital investment in Shanghai Yintong was originated in the PRC. In accordance with relevant PRC laws and regulations, the status and identity of Shanghai Yintong as a domestic enterprise is connected with the source of the funds used to establish the enterprise. The legality and existence of Shanghai Yintong as a domestic enterprise is not affected by the trust arrangement. As confirmed by the PRC Legal Adviser, the trust agreement complies with the relevant PRC laws and was legal, valid and enforceable.

- (f) Pursuant to an equity transfer agreement dated 16 January 2009, Jinhan Investment, Mr. Lin Zhi Qun (林志群) and Mr. Xu Hai Xin (徐海欣) transferred 16.25%, 25% and 3.75% equity interests in Shanghai Yintong to Xinrong Asset, respectively, at a consideration of RMB6.5 million, RMB10 million and RMB1.5 million, respectively. As a result, Shanghai Yintong was owned as to 40% by Jinhan Investment, 45% by Xinrong Asset and 15% by Mr. Shi. To the best of our Directors' knowledge, the reasons for such transfers were (i) Jinhan Investment considered that by introducing Xinrong Asset as shareholder, Shanghai Yintong would be able to leverage on Xinrong Asset, a State-controlled enterprise, to expand its business; and (ii) Mr. Lin Zhi Qun (林志群) and Mr. Xu Hai Xin (徐海欣) decided to divest their equity interests in Shanghai Yintong.
- (g) Pursuant to an equity transfer agreement dated 22 October 2009, Mr. Ting as trustee of Mr. Shi transferred 15% equity interests in Shanghai Yintong to Jinhan Investment at a consideration of RMB6 million. As a result, Shanghai Yintong was owned as to 55% by Jinhan Investment and 45% by Xinrong Asset. To the best of our Directors' knowledge, such transfer was made as Mr. Shi decided to reorganise his equity interests in Shanghai Yintong.

All of the above transfers have been approved by the relevant government authorities. To the best of our Directors' knowledge, the consideration for each of the above transfers was determined based on the respective investment costs of the equity interest and was settled by cash.

To the best of our Directors' knowledge, each of Hengzhu Enterprise, Mr. Lin Zhi Qun (林志群), Mr. Xu Hai Xin (徐海欣), Aohua Investment, Shanghai Maosheng and Mr. Jiang Yong (蒋勇) has no direct or indirect relationships with our Directors or Controlling Shareholders or any of their respective associates. As at the Latest Practicable Date, Runxun Concept was wholly and beneficially-owned by China Motion Telecom International Limited, the shares of which are listed on the Main Board (stock code: 989), and Mr. Ting was interested in 55.13% of its issued share capital.

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Lucky Target and Lucky Consultants

Lucky Target was incorporated in Hong Kong on 2 March 1993 as an investment holding company with a registered capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 1 December 2006, Mr. Ting and Lucky Target Property Development Limited, the then shareholders of Lucky Target, transferred the entire equity interests of Lucky Target to Mr. Shi at an aggregate consideration of HK\$100.

Lucky Consultants was established by Lucky Target on 5 May 1998 with an initial registered capital of US\$500,000. From its establishment to June 2003, Lucky Consultants was principally engaged in real estate agency and consultancy business in the PRC. Since the establishment of Shanghai Yintong in June 2003, Lucky Consultants has ceased to engage in real estate and consultancy business and changed its focus to provide financing consultancy services and refer customers to Shanghai Yintong as it considered that by leveraging on its then customer network, such business will have greater growth potential. Lucky Consultants had a registered capital of US\$900,000 as at the Latest Practicable Date.

As part of the Corporate Reorganisation, our Group acquired the entire equity interest of Lucky Target from Mr. Shi on 25 February 2010. Since then, Lucky Target and Lucky Consultants became indirectly wholly-owned subsidiaries of our Company.

Vigo Investment, Wyndsfield Resources and Baokang Guarantee

Vigo Investment was incorporated in Hong Kong on 2 September 2008 as an investment holding company with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was issued to Mr. Shi on 22 September 2008. Vigo Investment obtained a Money Lenders Licence in Hong Kong on 21 January 2010.

Wyndsfield Resources was incorporated in Hong Kong on 30 July 2004 with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each as an investment holding company. On 16 October 2009, Vigo Investment acquired the entire issued share capital of Wyndsfield Resources from Mr. Ting and Wyndsfield Holdings Limited, a company wholly and beneficially owned by Mr. Ting, at an aggregate consideration of HK\$100.

As part of the Corporate Reorganisation, our Group acquired the entire equity interest of Vigo Investment from Mr. Shi on 25 February 2010. Since then, Vigo Investment and Wyndsfield Resources became indirectly wholly-owned subsidiaries of our Company.

Baokang Guarantee was established by Wyndsfield Resources on 12 May 2010 with an initial registered capital of RMB100 million. Baokang Guarantee is established with a view to expanding our Group's business to loan guarantee services.

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Our Company, Ever Step, Easy Value and Measure Up

In preparation for the Listing, our Company was incorporated in the Cayman Islands on 4 January 2010 as an exempted company with limited liability. Our Group underwent the Corporate Reorganisation which consisted primarily of the following steps:

- (a) The incorporation of Ever Step, Easy Value and Measure Up as investment holding companies.
- (b) The acquisition of Vigo Investment and Lucky Target by our Group.
- (c) The issue and allotment of Shares to Jiefang Media.
- (d) The entering into of the Structure Contracts among Lucky Consultants, Shanghai Yintong, Jinhan Investment and Xinrong Asset regarding the business and operation of Shanghai Yintong.
- (e) The issue and allotment of shares to Integrated Asset.

Details of the Corporate Reorganisation and the Structure Contracts are set out under the section headed “Statutory and General Information – Further information about our Group – Group Reorganisation” in Appendix VI to this prospectus and the paragraph headed “Structure Contracts” in this section, respectively.

STRATEGIC INVESTOR

Subscription Agreement

On 25 February 2010, our Company entered into a subscription agreement with Integrated Asset (the “**Subscription Agreement**”). Completion of the Subscription Agreement took place on 25 February 2010, whereby our Company issued and allotted and Integrated Asset subscribed for 20 new Shares (the “**Subscription Shares**”) and our Company received an aggregate subscription price of HK\$32 million (the “**Subscription Price**”).

Information on Integrated Asset

Integrated Asset is an investment holding company incorporated in the BVI on 15 February 1996. Mr. Yam is the sole director and beneficial owner of Integrated Asset.

Mr. Yam, aged 48, is a professional investor and has substantial investments in a number of companies whose shares are listed on the Stock Exchange including but not limited to approximately 20.30% shareholding in Green Global Resources Limited (stock code: 61) and approximately 7.88% shareholding in Kong Sun Holdings Limited (stock code: 295). In addition, Mr. Yam is a 50% beneficial owner of Marvel Bonus Holdings Limited which in turn holds approximately 55.13% and 24.39% shareholding in China Motion Telecom International Limited (stock code: 989) and Rojam Entertainment Holdings Limited (stock code: 8075) respectively. Mr. Yam is not a director of any of the listed companies in which he has substantial investments.

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Mr. Yam was referred to the Company by Mr. Ting, who is interested in 50% shareholding of Marvel Bonus Holdings Limited. Save as disclosed herein, Mr. Yam is an Independent Third Party and has no relationship with our Directors and the other existing Shareholders.

The Subscription Shares

The Subscription Shares represent 10% of the then issued share capital of the Company as enlarged by the issue of the Subscription Shares, and will represent approximately 7.5% of the enlarged issued share capital of the Company immediately following the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme). The Subscription Shares will rank *pari passu* in all respects with other issued Shares and will be counted towards part of public float.

No special right which is different from the rights of the existing Shareholders was granted to Integrated Asset under the Subscription Agreement.

The Subscription Price

The Subscription Price was agreed after arm's length negotiation between our Company and Integrated Asset. The basis of determination of the Subscription Price includes the price/earnings ratio of the net profit of our Group for the year ended 31 December 2009 and the expected growth of our Group's business.

Based on 120,000,000 Shares that Integrated Asset will be interested in immediately following the Listing, the Subscription Price represents approximately HK\$0.27 per Share and a discount of approximately 60.29% to HK\$0.68 (the low end of the Placing Price range set out in this prospectus) and approximately 65.38% to HK\$0.78 (the high end of the Placing Price range set out in this prospectus).

Expected Benefits

Mr. Yam is an experienced professional investor. Apart from his business in investment in securities of listed companies, Mr. Yam has been carrying out money lending business in Hong Kong through his associate, Integrated Capital (Asia) Limited, a company incorporated in Hong Kong and licensed to carry out business as a money lender in Hong Kong.

While our Group has extensive experience in providing financing services in the PRC, we are new in the Hong Kong market, and lack customer network and experience in Hong Kong. In the past, our Group has turned down business opportunities where cross-border customers who have assets in Hong Kong and overseas and require funding in China and Hong Kong. Our Group believes that, given the interdependence of China and Hong Kong economy and the recent recovery of overall market conditions from financial crisis, demands for cross border financing services is in blossom. With the prospect that our Company will achieve a listing status, it would be in the interest of our Group to leverage on our listing status to extend our business exposure in Hong Kong and to cross-border financing services.

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Given the business experience and network of Mr. Yam in Hong Kong, the Group considers that absorbing Mr. Yam as our Shareholder will not only enhance our Shareholders profile, but also bring along new contacts and potential business opportunity. It would help our Group to achieve long-term growth by leveraging on the business experience and network of Mr. Yam. We believe that Mr. Yam will contribute to our future success as a result of business synergy. Cooperation with Mr. Yam will be a valuable compliment to our business and future development. As at the Latest Practicable Date, our Group did not have any plan of future cooperation and development with Integrated Asset nor Mr. Yam.

Having considered the above, the Directors are of the view that it is fair and reasonable for Integrated Asset to be offered with a discount to the Placing Price.

Lock-up Arrangement for the Strategic Investor

Integrated Asset has undertaken to our Company that, without the prior written consent of our Company, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of, nor enter into any agreement to dispose of, any of the Shares acquired by Integrated Asset pursuant to the Subscription Agreement or other shares or securities of our Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation (the “**Relevant Shares**”) or any interest in any company or entity holding any of the Relevant Shares.

STRUCTURE CONTRACTS

Background

The pawn loan business currently engaged by Shanghai Yintong is regulated by, amongst others, the Pawning Measures. In accordance with Articles 11 and 15 of the Pawning Measures, an application for the establishment of a new pawnshop must be submitted to local commerce authorities and thereafter must undergo examination and approval by provincial level commerce authorities and finally MOFCOM before MOFCOM can issue the requisite Pawn Operations Business Licence. Likewise, Article 18 of the Pawning Measures stipulates that a transfer (or accumulated transfers) to a third party of more than 50% of the equity interests in a pawnshop must receive approval from the provincial level commerce authorities and thereafter must undergo examination and approval by MOFCOM. According to Article 71 of the Pawning Measures, rules and regulations governing the investment by foreign invested companies in pawn business in the PRC shall be separately announced by MOFCOM and other relevant authorities. As at the Latest Practicable Date, no relevant rules and regulations had been announced by MOFCOM or the SMCC (which is, to the best of our Directors’ knowledge and as confirmed by the PRC Legal Adviser, the relevant provincial level commerce authority supervising and administrating the pawn industry in Shanghai). According to the Administrative Licensing Rules of the PRC (中華人民共和國行政許可法), administrative licensing regimes may only be set up and implemented where there are established laws setting out relevant procedures, parameters, conditions and scope of administrative power. As the approval of investment in pawn business by foreign invested companies in the PRC falls under an administrative act, no approval can be granted and no licence can be issued to a foreign invested company if there are no established laws governing the investment by foreign invested companies in pawn business.

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After verbal consultations with the SMCC and as advised and confirmed by the PRC Legal Adviser, we understand that the PRC governmental authorities currently may not as a matter of practice grant the Pawn Operations Business Licence to foreign invested companies. By a letter (the “**Letter**”) dated 8 March 2010, the Department of Service Industry Development of the SMCC (上海市商務委員會服務業發展處) confirmed that according to the Pawning Measures and the relevant policy, they do not accept any application for investment in the pawn business by foreign invested companies in Shanghai.

The SMCC is comprised of a total of 19 departments, including the Department of Service Industry Development of the SMCC (上海市商務委員會服務業發展處). The Department of Service Industry Development of the SMCC is directly responsible for the implementation of the Pawning Measures through the examination, supervision, administration and guidance of the pawn industry in Shanghai and is, according to the PRC Legal Adviser, the execution department of the SMCC is responsible for examination and approval of pawn business operation in Shanghai. Further it is also responsible for submitting its opinion in relation to the examination and the relevant application documents to MOFCOM, which will then issue a Pawn Operations Business Licence to pawnshops in Shanghai.

As confirmed by the PRC Legal Adviser, the Letter is issued by and stamped with the seal of the Department of Service Industry Development of the SMCC and thus the statements in the Letter should be regarded as legally and validly representing the views of the SMCC in respect of the industry’s supervision. With Shanghai Yintong’s active discussion and consultation with the SMCC regarding, among other things, the Structure Contracts, the competent department of SMCC has confirmed that Shanghai Yintong has complied with the relevant laws and regulations and has received its support for our ongoing operations and our implementation of the Structure Contracts.

Government’s overview of the pawn industry

The Pawning Measures were issued by MOFCOM and the Ministry of Public Security. As advised by the PRC Legal Adviser and as confirmed by the Department of Market System Development of MOFCOM (商務部市場體系建設司制度處), which is the department within MOFCOM directly responsible for the governance and supervision of the pawn industry of the PRC, the governing and supervisory role of MOFCOM under the Pawning Measures does not extend to the administration or supervision of the daily control, management and business operations of an individual pawn operator. Authority for the administration, supervision and control of the pawn industry, including the preliminary examination and approval for entry into the industry, is delegated by MOFCOM to local and provincial level commerce authorities, i.e., the SMCC. The authority of the Public Security Bureau under the Pawning Measures is limited to the administration and enforcement of public security matters related to the daily operations of and pawning transactions with pawn businesses. On the basis that (i) the Structure Contracts relate to the daily control, management and business operations of Shanghai Yintong and do not involve foreign investment in Shanghai Yintong, and MOFCOM is not involved in the administration or supervision of the daily control, management and business operations of an individual pawn service provider; (ii) the SMCC is delegated the authority to control entry into, administer and supervise the pawn industry in Shanghai; (iii) the competent department of SMCC has, by means of the Letter, confirmed that currently according to the Pawning Measures and the relevant policy, they may not accept any application for investment in the pawn business by companies with foreign investment in Shanghai; (iv) during consultations with the relevant official of the Department of Market System Development of MOFCOM (商務部市場體系建設司制度處) no objections were raised as to the Structure Contracts arrangement and the proposed overseas listing of our Company; and (v) the authority of the Public Security Bureau does not extend to the approval of applications for or the supervision and management of entry into the pawn industry, the PRC Legal Adviser has confirmed that the Structure Contracts arrangements do

HISTORY AND REORGANISATION

not contravene the Pawning Measures and are not subject to any examination, approval or filing from MOFCOM, and is of the opinion that it is not necessary to obtain written confirmation from MOFCOM or the Ministry of Public Security in respect of our Group's entry into the Structure Contracts and the legality of Shanghai Yintong's operations would not be negated by the consummation or otherwise of our Company's overseas listing.

Given the above, the Pawning Measures relate only to domestic investment in the pawn industry, which, as confirmed by the SMCC, in practice means Pawn Operations Business Licences may not be issued to foreign invested enterprises. Any direct or indirect acquisition by Lucky Consultants of the equity interests or assets of Shanghai Yintong would, for the purpose of the Pawning Measures and based on the relevant foreign investment laws, constitute foreign investment in the pawn industry and would render Lucky Consultants or the acquiring entity ineligible to receive a Pawn Operations Business Licence. As stated by the officer of the Department of Market System Development of MOFCOM (商務部市場體系建設司制度處), there is no impending plan to announce measures for foreign investment in the pawn industry.

Accordingly, the Structure Contracts were entered into in order for our Group to manage and operate the business of Shanghai Yintong in China, under which all the business activities of Shanghai Yintong are managed and operated by Lucky Consultants and all economic benefits and risks arising from the business of Shanghai Yintong are transferred to Lucky Consultants by means of management and operation fee payable by Shanghai Yintong to Lucky Consultants. Moreover, because Lucky Consultants was established as a wholly foreign owned enterprise prior to the promulgation of the M&A Rules, the M&A Rules would not be applicable to any acquisition by Lucky Consultants of the equity or assets of a domestic enterprise, including Shanghai Yintong. Accordingly, if measures for the foreign investment in the pawn industry were to be announced, Lucky Consultants could, in accordance with the Structure Contracts, acquire the equity interests and/or assets of Shanghai Yintong without seeking approval from MOFCOM or the CSRC under the M&A Rules. Lucky Consultants was established in Shanghai in 1998 as a wholly foreign owned enterprise and has since then been engaged in property consultancy services, enterprise management consultancy service and business management as designated by our Group. Mr. Shi was a citizen of the PRC at the time he established Shanghai Yintong through his wholly and beneficially owned company, Jinhan Investment, in June 2003. Article 2 of the Wholly Foreign Owned Equity Law (中華人民共和國外資企業法) requires that in order for a PRC company to be considered as a wholly foreign owned enterprise, the company must have been established with foreign capital. Moreover, Article 58 of the M&A Rules provides that if a Chinese natural-person shareholder of a domestic company changes his or her nationality, the enterprise nature of the company will remain unchanged. The PRC Legal Adviser has confirmed that in accordance with the relevant PRC laws, the fact that Mr. Shi has since become a citizen of Canada does not impact on the legal status of Shanghai Yintong. Accordingly, Shanghai Yintong remains a PRC domestic company and is not a foreign invested company.

Arrangements under the Structure Contracts

The following sets out a summary of the arrangements under the Structure Contracts:

- (i) Jinhan Investment, Xinrong Asset and Shanghai Yintong have engaged Lucky Consultants to manage and operate the business of Shanghai Yintong and in return, Lucky Consultants is entitled to all the revenue of Shanghai Yintong as management and operation fee after deducting all relevant costs and expenses (including taxes). Our Directors confirm that the arrangements under the Structure Contracts ensure all economic risks and benefits generated from the operations of Shanghai Yintong will flow onto Lucky Consultants and hence, our Group as a whole;

HISTORY AND REORGANISATION

- (ii) Lucky Consultants has the exclusive option to acquire any or all of the equity interests and/or assets of Shanghai Yintong on the condition that the acquisition shall be in compliance with the relevant PRC laws and regulations;
- (iii) Lucky Consultants has the right to request for an increase in the registered capital of Shanghai Yintong by entering into entrusted loan arrangements with Jinhan Investment, Xinrong Asset and licensed banks in the PRC nominated by Lucky Consultants. Under the entrusted loan arrangements, Lucky Consultants or its affiliated companies will, through licensed banks in the PRC, advance funds to Jinhan Investment and Xinrong Asset for the sole purpose of increasing the registered capital of Shanghai Yintong;
- (iv) Jinhan Investment and Xinrong Asset have granted to Lucky Consultants a pledge over all of their respective equity interests in Shanghai Yintong for the purpose of securing the performance of the contractual obligations under the Structure Contracts; and
- (v) to ensure that Lucky Consultants retains control over Shanghai Yintong, the equity interests of Shanghai Yintong may not be transferred or otherwise disposed of by Jinhan Investment and Xinrong Asset without the written consent of Lucky Consultants.

Operation of the Structure Contracts

In accordance with the Structure Contracts, Lucky Consultants can cause Jinhan Investment and/or Xinrong Asset to sell all or part of the equity interests in Shanghai Yintong to Lucky Consultants. As stated in the section headed “History and Reorganisation – Summary of the Structure Contracts”, the consideration for such transfer will be higher of the capital investment of the relevant equity interests and the book value of the relevant equity interests. Because the equity interests of Shanghai Yintong that are held by Xinrong Asset are state-owned asset, any transfer of such equity interests must, in accordance with the State Owned Assets Law of the PRC (中華人民共和國企業國有資產法) be conducted by means of listing for sale. In the case there are competing bidders for the equity interests, Jinhan Investment is entitled to exercise a right of first refusal in accordance with the Company Law of the PRC (中華人民共和國公司法) to ensure that the equity interests are not sold to a third party. Under the Management Agreement, in the event that there exists a third party bidder for the equity interests in Shanghai Yintong held by Xinrong Asset, Jinhan Investment shall use its best endeavours to exercise its right of first refusal to purchase such interests, after which Lucky Consultants shall have an exclusive option to purchase the same at book value or investment cost from Jinhan Investment, whichever is the higher. Any such exercise of the right of first refusal may result in a higher purchase price than would otherwise have to be paid by Lucky Consultants in order to acquire the equity interests in Shanghai Yintong directly from Xinrong Asset. Please refer to the section headed “Risk Factors – Risks relating to the Structure Contracts – Should we decide to exercise the option to purchase the equity interests in and/or the assets of Shanghai Yintong, we may need to pay a purchase price higher than that stipulated in the Structure Contracts”. On the other hand, in the event that there exists a third party bidder and Jinhan Investment is outbid by it during the listing for sale (i.e., it could not pay the price to purchase the equity interests in Shanghai Yintong offered by the third party bidder), the third party bidder may purchase the equity interests in Shanghai Yintong, in which case, as advised by the PRC Legal Adviser, the Structure Contracts would remain legal, valid and enforceable against Shanghai Yintong, Jinhan Investment, the third party bidder and Lucky Consultants notwithstanding the change of Shanghai Yintong’s shareholder. As advised by the PRC Legal Adviser, any third party bidder will be bound by the Structure Contracts on the basis that details of the Structure Contracts will be set out in and form part of the listing for sale documents.

HISTORY AND REORGANISATION

Representatives from our Company and the PRC Legal Adviser had consulted about our entry into the Structure Contracts, the overseas shareholding of Jiefang Media and the Listing with the Shanghai Publicity Bureau of the State Owned Assets Supervision Commission (上海市委宣傳部國資辦公室) (the “Shanghai Publicity Bureau”). The Shanghai Publicity Bureau represents and discharges the duties of the State-owned Assets Supervision and Administration Commission of the State Council in the supervision and administration of state-owned enterprises engaged in the operation of cultural industry related state-owned assets in Shanghai. It was confirmed by the Shanghai Publicity Bureau that none of the investment made by Jiefang Media in our Company or the Listing is subject to examination or approval by or filing with the Shanghai Publicity Bureau.

The Structure Contracts, taken as a whole, permit the financial results of Shanghai Yintong and the economic benefits of its business to flow onto Lucky Consultants. In addition, all the directors of Shanghai Yintong are to be nominated by Lucky Consultants. Through its control over and supervision of the directors of Shanghai Yintong, Lucky Consultants is able to effectively manage and operate the business, operations and financial policies of Shanghai Yintong so as to ensure due implementation of the Structure Contracts. The Structure Contracts also enable Lucky Consultants to, if and when permitted by PRC law, acquire the equity interests and/or assets of Shanghai Yintong in accordance with PRC law. Based on the Structure Contracts, our Directors consider that, notwithstanding the lack of equity ownership in Shanghai Yintong, our Group is entitled to control the business of Shanghai Yintong in substance. On this basis, the financial position and operating results of Shanghai Yintong are included in our Group’s combined financial statements.

In addition to the above, any amendment to the Structure Contracts is subject to the approval of the directors nominated by Lucky Consultants to Shanghai Yintong. No amendments to the Structure Contracts can be made unless required under the GEM Listing Rules or approved by Lucky Consultants in writing in advance. The Structure Contracts provide for the termination of the Structure Contracts if there is a change in PRC laws or governmental policy that would render implementation of the Structure Contracts unlawful.

Our Directors are of the view that the Structure Contracts enable our Group to be operated coherently with the power to govern the business and the financial and operating policies of Shanghai Yintong for the benefit of our Group as a whole. Accordingly, the financial position and operating results of Shanghai Yintong are included in our Group’s financial information.

The Sole Sponsor is satisfied that the Company has fulfilled all applicable conditions for listing under the GEM Listing Rules. Based on the market information available to the public, the PRC Legal Adviser and the Sole Sponsor have no knowledge of whether it is an industry practice for foreign investors to engage in pawn business activities in the PRC through arrangements same as or similar to the Structure Contracts. However, notwithstanding the above, the PRC Legal Adviser is of the opinion that the Structure Contracts are legal, valid, binding and enforceable and none of the terms and conditions in any of the Structure Contracts (taken individually or together as a whole) nor the legal structure of Lucky Consultants and Shanghai Yintong contravenes the applicable laws, regulations or rules of the PRC.

HISTORY AND REORGANISATION

Summary of the Structure Contracts

The following is a summary of the principal terms of the Structure Contracts:

(1) *Management Agreement*

On 25 February 2010, Jinhan Investment, Xinrong Asset, Shanghai Yintong and Lucky Consultants entered into the Management Agreement, pursuant to which Lucky Consultants agreed to manage and operate the secured financing business of Shanghai Yintong. Under the Management Agreement, Lucky Consultants is responsible for the management and operation of Shanghai Yintong.

Under the Management Agreement, Lucky Consultants shall assume all economic benefits and risks arising from the business of Shanghai Yintong. The revenue of Shanghai Yintong, after deducting all relevant costs and expenses (including taxes) shall be paid to Lucky Consultants after the accounts of Shanghai Yintong have been audited. The directors of Shanghai Yintong will hold annual meetings to determine and implement the payment of such revenue to Lucky Consultants.

All the directors of Shanghai Yintong shall be nominated by Lucky Consultants. The directors of Shanghai Yintong are responsible for overseeing the business and operations of Shanghai Yintong. Other than by reason of retirement, resignation, incapacity or death, the directors of Shanghai Yintong may only be removed with the consent of Lucky Consultants.

As at the Latest Practicable Date, (i) directors of Shanghai Yintong were Mr. Shi, Mr. Ji, Ms. Li Shuang (李爽), Mr. Ding Lu (丁璐) and Mr. Gu Qing Zhong (顧慶忠), supervisors of Shanghai Yintong were Mr. Jia Jun (賈軍), Mr. Sun Zhen Dong (孫振東) and Mr. Hua Zheng Hong (華正宏), legal representative of Shanghai Yintong was Mr. Shi, and general manager of Shanghai Yintong was Mr. Ji; (ii) directors of Lucky Consultants were Mr. Shi, Mr. Ji and Ms. Shen, while Mr. Shi also held the office of legal representative and general manager of Lucky Consultants; (iii) Ms. Li Shuang (李爽) has been the chief financial controller and deputy chief executive officer of Xinhua Publishing since June 2006 and the director of Shanghai Yintong since February 2009; (iv) Mr. Gu Qing Zhong (顧慶忠) has been the manager of the investment department of Xinhua Publishing since March 2008 and the director of Shanghai Yintong since February 2009; (v) Mr. Hua Zheng Hong (華正宏) has been the assistant to general manager of finance department of Xinhua Publishing since September 2008 and the director of Shanghai Yintong since February 2009; (vi) Mr. Jia Jun (賈軍) has been the deputy general manager of Jinhan Investment since January 2004 and the chairman of the supervisory committee of Shanghai Yintong since February 2009; and (vii) all directors, supervisors and legal representative of Shanghai Yintong were nominated by Lucky Consultants.

HISTORY AND REORGANISATION

Apart from the right to nominate all the directors of Shanghai Yintong, the Management Agreement also provides for the following measures which, in the opinion of our Directors, would enable our Group (i) to have sufficient power to effectively manage and monitor the operation and financial policies of Shanghai Yintong (including the borrowings by Shanghai Yintong); (ii) to protect the interests of our Group and the Shareholders as a whole; (iii) to ensure that all economic benefits and assets of Shanghai Yintong could be wholly-received and managed by our Group; and (iv) to effectively prevent any possible leakages of assets and values to Jinhan Investment and Xinrong Asset:

- (i) the scope of business of Shanghai Yintong upon and after the Listing shall restrict to pawn loan business;
- (ii) Shanghai Yintong shall provide all existing and future loan agreements, facility agreements, security documents and, if Shanghai Yintong has provided and is to provide guarantee to third parties, all related loan agreements, guarantee agreements and others legal documents under which Shanghai Yintong shall bear joint liabilities, to Lucky Consultants prior to the entering into of the Management Agreement and thereafter at the request of Lucky Consultants;
- (iii) Shanghai Yintong, Jinhan Investment and Xinrong Asset have undertaken that, except with prior written consent of Lucky Consultants, Shanghai Yintong shall not advance any loan to any third party or create any liability;
- (iv) the board of directors of Shanghai Yintong shall procure the persons recommended by Lucky Consultants to be appointed as Shanghai Yintong's general manager, financial controller and other members of its senior management;
- (v) Shanghai Yintong shall strictly execute recommendations from Lucky Consultants on (a) the employment and termination of employment of employees; (b) day-to-day operations and management; and (c) system of financial management;
- (vi) Jinhan Investment and Xinrong Asset have irrevocably authorised Lucky Consultants or a nominee designated by Lucky Consultants to exercise all their voting rights at general meeting of Shanghai Yintong (including approval of distribution of dividends by Shanghai Yintong and the increase in registered capital of Shanghai Yintong);
- (vii) Shanghai Yintong, Jinhan Investment and Xinrong Asset have undertaken that no distribution of bonuses, dividends or any other form of interest distribution could be effected without the prior written approval from Lucky Consultants; and

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- (viii) Lucky Consultants or its nominee has the exclusive option, as and when permitted by PRC law, to acquire (a) any or all of the assets of Shanghai Yintong; and/or (b) any or all of the equity interests of Shanghai Yintong from Jinhan Investment and Xinrong Asset, subject to the laws and regulations governing the management of state-owned assets as the equity interests held by Xinrong Asset in Shanghai Yintong are state-owned assets. In accordance with the State Owned Assets Law of the PRC (中華人民共和國企業國有資產法), the consideration for such transfer will be higher of the capital investment of the relevant equity interests and the book value of the relevant equity interests. In the case that the option to acquire the equity interests and/or assets of Shanghai Yintong is exercised by Lucky Consultants, approval from MOFCOM would not be required on the basis that such acquisition is, in accordance with the M&A Rules and the Interim Provisions for Investment in China by Enterprises with Foreign Investment (關於外商投資企業境內投資的暫行規定), defined as a domestic investment by a foreign invested enterprise and is not subject to approval from MOFCOM ^(Note).

Note:

Article 55 of M&A Rules states that where a foreign investor intends to merge with or acquire a domestic enterprise through a foreign invested enterprise established by it within China, it shall be governed by the relevant provisions on the combination and split-up of foreign-invested enterprises and the relevant provisions on domestic investments of foreign-invested enterprise; if any matter is not covered by the aforesaid provisions, it shall be governed by the M&A Rules.

According to Article 55 of the M&A Rules, an acquisition of a domestic enterprise by a foreign investor through a foreign invested enterprise is governed by rules and regulations relevant to domestic investments by foreign invested enterprises. Because Lucky Consultants was established as a foreign invested enterprise, any acquisition of the equity interest of Shanghai Yintong by Lucky Consultants would be subject to the Interim Provisions for Investment in China by Enterprises with Foreign Investment, according to which filing must be made with the original approval authority for the establishment of Lucky Consultants and no approval from or filing with MOFCOM would be required.

In addition, pursuant to the Management Agreement, Jinhan Investment and Xinrong Asset shall, at the request of Lucky Consultants, enter into entrusted loan arrangements with Lucky Consultants or its affiliated companies and licensed banks in the PRC nominated by Lucky Consultants, for such amounts and on such terms and conditions as Lucky Consultants may determine in its sole discretion. Under the entrusted loan arrangements, Lucky Consultants or its affiliated companies will, through licensed banks in the PRC, advance funds to Jinhan Investment and Xinrong Asset for the sole purpose of increasing the registered capital of Shanghai Yintong. The repayment obligations of Jinhan Investment and Xinrong Asset shall be secured by the pledge of their equity interests in Shanghai Yintong to Lucky Consultants or its affiliated companies.

The term of the Management Agreement is 10 years commencing on 25 February 2010, and renewable at the request of Lucky Consultants.

(2) *Pledge Agreement*

On 25 February 2010, Jinhan Investment, Xinrong Asset, Shanghai Yintong and Lucky Consultants entered into the Pledge Agreement, pursuant to which Jinhan Investment and Xinrong Asset granted to Lucky Consultants a continuing first priority security interest over their respective equity interests in the registered capital of Shanghai Yintong (the “**Pledged Securities**”). The Pledged Securities represent the entire equity interests in the registered capital of Shanghai Yintong, and the entering into of the Pledge Agreement secures due performance of the contractual obligations by Jinhan Investment, Xinrong Asset and Shanghai Yintong under the Structure Contracts. Under the Pledge Agreement, Lucky Consultants is entitled to exercise its right to

HISTORY AND REORGANISATION

acquire the Pledged Securities or sell the Pledged Securities through an auction or private sale or dispose of the Pledged Securities in any other manner, in each case as permitted by applicable laws and regulations, on the occurrence of any of the following:

- (i) Jinhan Investment or Xinrong Asset is in breach of any of its obligations under the Pledge Agreement;
- (ii) Jinhan Investment, Xinrong Asset or Shanghai Yintong is in breach of its obligation under the Structure Contracts;
- (iii) the representations or undertakings given by Jinhan Investment, Xinrong Asset or Shanghai Yintong become untrue or misleading in any material aspect; and
- (iv) any term of the Structure Contracts becomes unenforceable as a result of a change in relevant laws, regulations or policies of the PRC or for whatever reason.

Jinhan Investment, Xinrong Asset and Shanghai Yintong have also provided specific covenants which, among others, include:

- (i) not to sell or encumber any of Shanghai Yintong's assets without the prior written consent of Lucky Consultants or as permitted under the Pledge Agreement;
- (ii) not to change its registered capital structure without prior written consent of Lucky Consultants;
- (iii) not to distribute profits to the equity holders of Shanghai Yintong;
- (iv) to conduct the business in accordance with the Management Agreement; and
- (v) not to liquidate or dissolve Shanghai Yintong without the prior written consent of Lucky Consultants.

The Pledge Agreement is for a term commencing on 25 February 2010 and ending on the date of termination of the Management Agreement.

Legality of the Structure Contracts

The PRC Legal Adviser, having taken all possible actions or steps to enable it to reach its legal conclusions, is of the opinion that:

- (i) each of Lucky Consultants and Shanghai Yintong has been duly established and is validly existing under the relevant PRC laws and regulations;
- (ii) each of the Structure Contracts has been duly authorised, executed and delivered by the parties to the Structure Contracts and such contracts are legal, valid, admissible as evidence and binding under relevant PRC laws and regulations, enforceable against the parties to the Structure Contracts in accordance with the terms and conditions of the Structure Contracts;

HISTORY AND REORGANISATION

- (iii) the Structure Contracts were entered into on arm's length terms and that the fees payable by Shanghai Yintong to Lucky Consultants represent all of the earnings of Shanghai Yintong after deducting all relevant costs and expenses (including taxes);
- (iv) the enter into, delivery and performance of the Structure Contracts did not and do not violate or result in a breach of or default under the relevant PRC laws, regulations or rules or the respective articles of association or material contracts to which either Lucky Consultants or Shanghai Yintong (or both of them) is/are a party/parties;
- (v) none of the terms and conditions in any of the Structure Contracts (taken individually or together as a whole) nor the legal structure of Lucky Consultants and Shanghai Yintong contravenes the relevant applicable laws, regulations or rules of the PRC and there is no evidence of any PRC authority having any legal basis to conclude the Structure Contracts are unlawful and thus there is little likelihood of the PRC authorities determining the Structure Contracts are in breach of the applicable laws and regulations^(Note);
- (vi) the Structure Contracts do not require any approvals from or filings with PRC governmental authorities, except for requisite filings with local taxation departments which have been properly filed; and
- (vii) except as otherwise disclosed herein, our Group has complied in good faith with all relevant PRC laws and regulations and our Group's operation in the PRC was legal and valid before and after implementation of the Structure Contracts.

Please also refer to the section headed "Business – Legal Proceedings and Compliance" of this prospectus for details of the compliance history of our Group.

Note:

This opinion was derived based on the following: (i) Lucky Consultants and Shanghai Yintong are both lawfully established and validly existing companies with the corporate power to negotiate, enter into and perform the Structure Contracts in accordance with the Company Law of the PRC; (ii) the Structure Contracts are legal and valid instruments created in accordance with the Contract Law of the PRC; (iii) each of the terms and conditions in the Structure Contracts represent the legal, valid and binding obligations of the parties thereto in accordance with the Contract Law of the PRC; and (iv) there is no legislative or administrative basis upon which the Structure Contracts could be found to be not in accordance with the relevant laws, rules and regulations of the PRC.

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BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Our Group's financial information has been prepared as a combination of business under common control. Our Group's financial information presents our results of operations as if we had been in existence in current form as at 1 January 2008. Although our Company is not the equity holder of Shanghai Yintong, the Company, through Lucky Consultants, ultimately and effectively controls and manages the financial and operating activities of Shanghai Yintong through the Structure Contracts. Taking into account that (i) Lucky Consultants is entitled to substantially all of the operating profit generated by Shanghai Yintong; and (ii) Shanghai Yintong is in essence controlled and managed by Lucky Consultants under the Structure Contracts, our Company regards Shanghai Yintong as our direct subsidiary, notwithstanding the lack of equity ownership.

As our Group (excluding Shanghai Yintong) and Shanghai Yintong were ultimately controlled by the same group of parties before and after the formation of our Group, the financial information is thereby prepared as if the current group structure had been in existence throughout the Track Record Period. Our consolidated statements of financial position at of 31 December 2008, 2009 and 31 July 2010 as set out in Appendix I to this prospectus have been prepared to present the state of affairs of the companies of which we are comprised as of those dates, as if the current group structure had been in existence as of the respective dates.

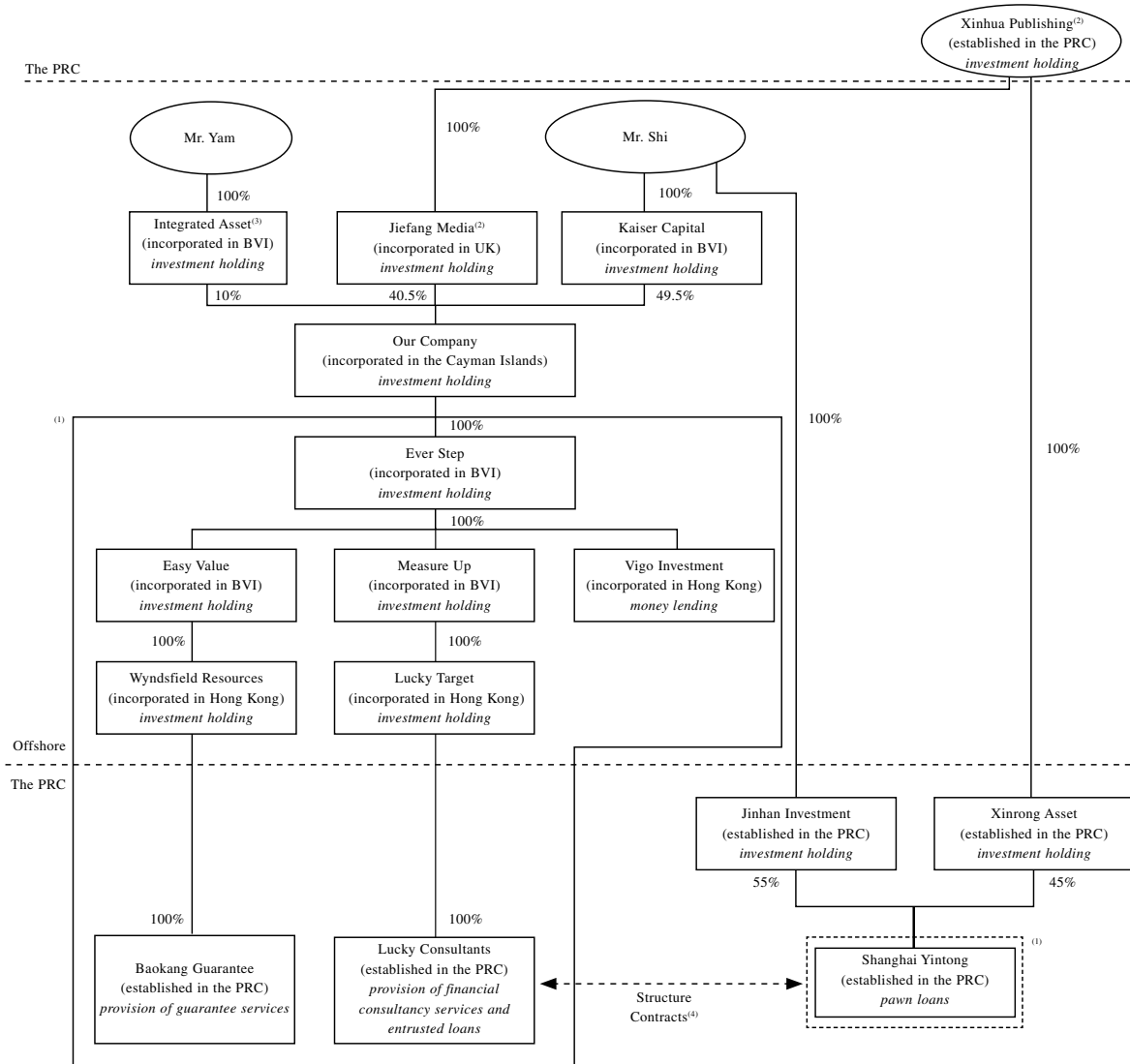
The Accountants' Report, as included as Appendix I to this prospectus, has been prepared in accordance with HKFRSs promulgated by the HKICPA, the disclosure requirements of the Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

In the opinion of the Reporting Accountants, for the purpose of the Accountants' Report and on the basis of preparation set out above, the financial information give a true and fair view of our Group's consolidated results, consolidated changes in equity and consolidated cash flows for the Track Record Periods, and of our Group's consolidated state of affairs as at 31 December 2008, 2009 and 31 July 2010.

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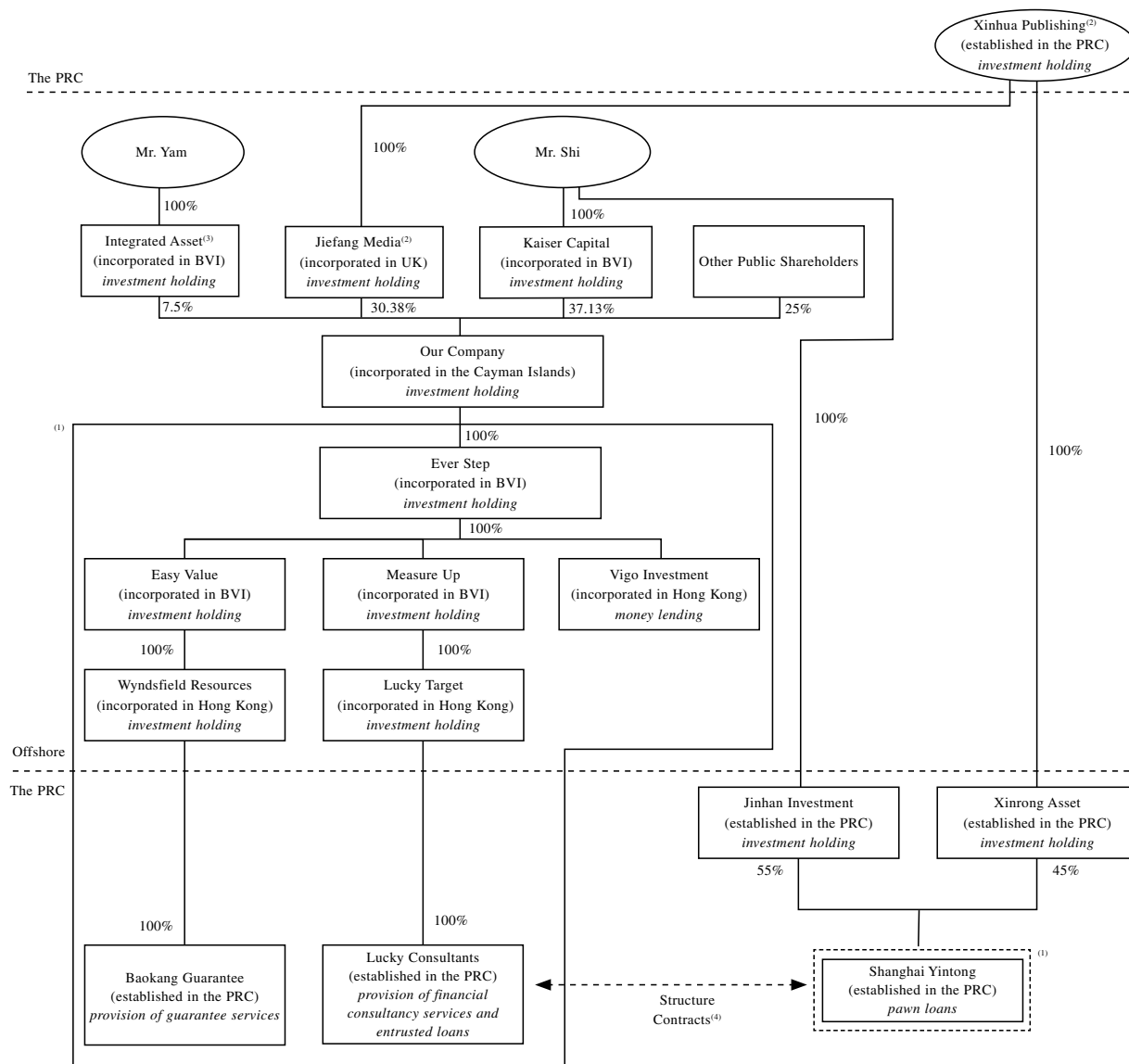
GROUP STRUCTURE

The corporate structure and the principal activities of the members of our Group immediately after completion of the Corporate Reorganisation but prior to the Placing and the Capitalisation Issue (assuming the Over-allotment Option and the options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme are not exercised) are set out below:



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The corporate structure and the principal activities of the members of our Group immediately after completion of the Corporate Reorganisation, the Placing and the Capitalisation Issue (assuming the Over-allotment Option and options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme are not exercised) are set out below:



Notes:

- (1) “———” denotes members of our Group which our Company has beneficial ownership in their equity interests. “-----” denotes the company which has contractual relationship with a member of our Group and whose financial results are combined into our Group.

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- (2) Jiefang Media and Xinrong Asset are wholly and beneficially owned by Xinhua Publishing, which is in turn owned by the following entities:

Entity	Background	Percentage of equity interest
Greenland Group	A company established in the PRC and owned as to approximately 46.02% by 上海綠地(集團)有限公司職工持股會 (Employee Association of Greenland Group*) ⁽⁵⁾ , 38.82% by two State-owned enterprises and 2.55% by 上海市天宸股份有限公司 (Shanghai Tianchen Co., Ltd.*), a company listed on Shanghai Stock Exchange	39.0%
Jiefang Group	State-owned enterprise	30.8%
上海新華書店投資有限公司 (Shanghai Xinhua Bookstore Investment Limited*)	A wholly-owned subsidiary of Jiefang Group and a State-owned enterprise	20%
上海世紀出版集團 (Shanghai Shi Ji Publishing Group*)	State-owned enterprise	5.1%
上海文藝出版總社 (Shanghai Literature and Art Publishing Group*)	State-owned enterprise	5.1%

- (3) Upon the Listing, the Shares held by Integrated Asset will be regarded as Shares held by the public for the purpose of the GEM Listing Rules.

- (4) Further information on the Structure Contracts is set forth in the section headed “History and Reorganisation-Structure Contracts”.

- (5) 上海綠地(集團)有限公司職工持股會 (Employee Association of Greenland Group*) was established in 1997 pursuant to approvals from 上海市農業委員會 (Shanghai City Agricultural Committee*) and 上海市建設委員會 (Shanghai City Construction Committee*), which consisted of 725 members and none of such members had more than 5% of its equity interest as at the Latest Practicable Date.

上海市農業委員會 (Shanghai City Agricultural Committee*), to the best knowledge of our Directors, is a department under the government of the city of Shanghai, and is mainly responsible for studying, organising, planning, implementing, regulating, supervising and administering agricultural affairs.

上海市建設委員會 (Shanghai City Construction Committee*), to the best knowledge of the Directors, has undergone several changes in its name and is now known as 上海市城鄉建設和交通委員會 (Shanghai City Urban and Rural Construction and Transportation Committee*). It is a department under the government of the city of Shanghai, and is mainly responsible for studying, planning, implementing, organising, regulating, managing, supervising and administering construction and transportation affairs.

HISTORY AND REORGANISATION

- (6) The PRC Legal Adviser confirmed as follows:
- (i) According to Articles 20 and 37 of the Company Law of the PRC, any exercise of shareholder control over a company must be conducted through a meeting of shareholders and must be in accordance with the company's articles of association. However, as an independent entity with legal person status, a company may stipulate in its articles of association that certain corporate actions may be lawfully and effectively performed pursuant to resolutions made at a meeting of its directors, without the need to obtain a resolution from the meeting of shareholders. Xinhua Publishing is an independent entity with legal person status. In accordance with Xinhua Publishing's articles of association and the authorisation by the meeting of shareholders, the directors of Xinhua Publishing have the power and authority to make resolutions in respect of the entry into and the performance of Structure Contracts by Xinrong Asset. The PRC Legal Adviser is of the opinion that any such resolution is not subject to the approval of the shareholders of Xinhua Publishing, including Greenland Group, which itself is a company with independent legal person status registered by the Shanghai Administration of Industry and Commerce. Likewise, the PRC Legal Adviser is of the opinion that neither the Listing nor the resolution by the directors of Xinhua Publishing to approve the entry into and performance of the Structure Contracts by Xinrong Asset is subject to approval from any of: (i) the shareholders of Greenland Group, including the Employee Association of Greenland Group; (ii) 725 members of the Employee Association of Greenland Group; or (iii) the committees that approved the establishment of the Employee Association of Greenland Group, including the Shanghai City Agricultural Committee and the Shanghai City Construction Committee.
 - (ii) According to the State Owned Assets Law of the PRC (中華人民共和國企業國有資產法), enterprises invested by the state (including such enterprises as Xinrong Asset) are authorised to occupy, use, derive benefit from and dispose of moveable properties, real estate and other assets belonging to them in accordance with relevant law, administrative regulations and the enterprise's articles of association. Where the State-owned Assets Supervision and Administrative Commission of the State Council and other entities charged with responsibilities as an investor in a state owned company engage in the corporate decision making of that company, such decision making may only be implemented in accordance with lawfully made resolutions of the shareholders' meeting and must not interfere with the daily operations of the company.

Based on the powers delegated by Xinhua Publishing to the directors' meeting of Xinrong Asset, to have lawful effect, corporate actions such as the entry by Xinrong Asset into the Structure Contracts need only be authorised by the directors' meeting of Xinrong Asset and approved by the managing director of Xinhua Publishing. The delegation of such powers by Xinhua Publishing was lawful, effective and in accordance with the Company Law of the PRC and the Law on the State Owned Assets Law of the PRC. By a resolution dated 23 February 2010, the office of the managing director of Xinhua Publishing approved the resolution in respect of the entry into the Structure Contracts. Therefore no further approval in respect of the Structure Contract is required.
- (7) Under applicable laws and the articles of association of Jiefang Media, a shareholder of the Company, no approval is required to be obtained from the shareholders and ultimate owners of Jiefang Media with respect to the Listing. There are no requirements under the PRC laws and the respective constitutional documents of Greenland Group and the Employee Association of Greenland Group that require the approval of Greenland Group, the Employee Association of Greenland Group or the 725 members of the Employee Association of Greenland Group with respect to the Listing. Even if it is regarded as an indirect dilution of their respective interests in our Company, the Listing is not, in accordance with the Company Law of the PRC and the respective articles of association of Jiefang Media, Xinrong Asset and Xinhua Publishing, subject to approval by any of Greenland Group, the Employee Association of Greenland Group or the 725 members of the Employee Association of Greenland Group.

* English translation for identification purposes only.

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OVERVIEW

We are a short-term financing service provider in Shanghai, and provide secured financing and related consultancy services. Providing customers with convenient and quick access to short-term finance with a repayment period of less than six months (for each loan transaction but subject to renewal), we are an alternative and complement to China's traditional banking system. Our focus is to offer financing consultancy services and short-term real estate pawn loans and entrusted loans to SMEs and individuals. We commenced our entrusted loan operation in late 2009. We also offer short-term personal property loans to individuals with personal property (including, but not limited to, jewellery and watches) as collateral.

We grant collateral-backed loans in respect of assets that can be easily identified, accurately valued and legally charged. In most cases, we accept real estate (including buildings and land use rights) as collateral from SMEs and individuals. Since our focus is on short term secured financing, we do not grant loans with terms longer than six months. We recognise the importance of internal control and risk management for the smooth running of our business. To minimise and manage risks, we conduct credit checks on borrowers through searches of PBOC credit reports and searches in the Shanghai Real Estate Trading Center (上海市房地產交易中心) and the national court website to check whether the customer is subject to enforcement proceedings. In order to further manage our risks, we also engage an independent professional appraiser for valuation where necessary and keep our loan-to-value ratio at approximately 40-60%. For corporate customers, we will also inspect the customer's accountant's report for the previous financial year and monthly financial statements, and the customer's most recent annual tax return and quarterly tax return.

As part of our continuing development of our short-term financing services, in addition to our pawn loan operations, we commenced our entrusted loan operation in late 2009. We have historically conducted our secured short-term financing services, namely real estate pawn loans and entrusted loans, by Shanghai Yintong and the Structure Contracts were entered into in order for our Group to manage and operate the secured short-term financing business of Shanghai Yintong. The funding for loans advanced through entrusted loans are based on available funds for secured short-term financing services. As loans advanced through entrusted loans are not restricted to PRC domestic entities, Shanghai Yintong had assigned the creditor's rights over all entrusted loan balances to Lucky Consultants at the consideration on a dollar-to-dollar basis as at the Latest Practicable Date, and we shall conduct all new entrusted loans by our Group's companies other than Shanghai Yintong upon the Listing. The PRC Legal Adviser has advised that the PRC laws do not place any restriction on the maximum amount of loans that may be provided through entrusted loans. We have conducted our entrusted loan operation according to laws and regulations of the PRC in order to increase the aggregate amount of loans which could be advanced by us. In accordance with our current internal guidelines, for loan application greater than RMB10 million by the same customer, we shall process such application through an entrusted loan arrangement.

Financial consultancy services are also an integral part of our business. Lucky Consultants specialises in understanding the needs and financial background of customers and uses our expertise in the industry to find the required loan for them. For qualified customers, Lucky Consultants will refer them to our Group for financing and our consultancy fee is based on our success in securing the required loan.

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While commercial banks usually have lengthy and complicated approval processes which can take more than one month for loan applications, many SMEs and individuals with debt-free assets are not able to obtain a short term loan to meet their immediate liquidity needs. Therefore, strong demand exists for our business. In most cases, with all our loan application conditions satisfied, we are able to approve and grant short term loans to SMEs and individuals within two to seven days.

We are in a business market with growing demand for short-term funding. Our business has benefited from commercial banks implementing relatively rigorous credit approving policies to SMEs. Many companies who failed to obtain financing from banks have turned to us for short-term financing to meet their immediate needs. With the demand from a growing customer base, we plan to expand our business in order to meet the growing needs of customers in other cities of the PRC.

We have obtained the Money Lenders Licence to commence money lending business in Hong Kong and we have also obtained the necessary approvals to establish a loan guarantee business in Jiangsu Province.

During the Track Record Period, all of our customers were SMEs, proprietors of SMEs or individuals. Some of our largest pawn loan customers over the Track Record Period included an electronics manufacturer and property developers with loan amounts ranging from RMB9.8 million to RMB45 million. Our entrusted loan customers over the Track Record Period also include property developers and property management company with loan amounts ranging from RMB10 million to RMB75 million. During the Track Record Period, there has been only one customer who had both an outstanding real estate pawn loan and an outstanding entrusted loan; and there were nine customers who had taken both our financial consultancy service and an outstanding entrusted loan. For customers who engage our financial consultancy service and require a loan greater than RMB10 million, Lucky Consultants will refer the qualified customers for entrusted loans. Accordingly, most of our entrusted loan customers during the Track Record Period have also engaged our financial consultancy service. If the customers wish to renew the loan for an extended period, we will extend our financial consultancy service for a service fee calculated based on the outstanding loan amount as at the renewal date and the extended loan period. Of the major customers of our Group, many of them have been referred to us by Lucky Consultants through their good relationship with existing customers and its established reputation in the market. The relevant consultancy fees obtained vary from 0.5% to 2.5% of the loan amount. The consultancy fee charge is calculated on a case-by-case basis and subject to commercial negotiation taking into account but not limited to the length of consultancy service required, financial background of the customer and the amount of consultancy and follow-up work needed. To the best knowledge of our Directors, the usages of funds by our customers typically vary from renovation of property to repayment of bank loan.

Our turnover for the two years ended 31 December 2009 and the seven months ended 31 July 2010 were approximately RMB12.39 million, RMB30.45 million and RMB53.59 million, respectively, and our profit attributable to the owners of our Company during the same periods were approximately RMB3.69 million, RMB15.55 million and RMB31.17 million, respectively.

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The following table sets out our Group's turnover breakdown by category during the Track Record Period:

	Year ended 31 December		Seven months ended 31 July	
	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Interest income				
Real estate pawn loans service income				
– Administration fee income ⁽¹⁾	8,797	19,282	5,786	4,466
– Interest income ⁽²⁾	2,183	9,983	1,982	668
Entrusted loans service income				
– Administration fee income ⁽¹⁾	–	58	–	4,996
– Interest income ⁽²⁾	–	107	–	14,914
Personal property pawn loans service income				
– Administration fee income ⁽¹⁾	281	164	99	76
– Interest income ⁽²⁾	26	18	10	7
	11,287	29,612	7,877	25,127
Financial consultancy service income⁽³⁾	1,098	834	389	28,465
Turnover	12,385	30,446	8,266	53,592

Notes:

- (1) Calculated based on the administration fee collected as stipulated under the loan contracts including renewed loans carried over from the previous year.
- (2) Calculated based on the interest collected as stipulated under the loan contracts including renewed loans carried over from the previous year.
- (3) Calculated based on the financial service fee collected by Lucky Consultants as stipulated under the financial service contracts including renewed loans carried over from the previous year.

OUR COMPETITIVE STRENGTHS

We have a well established market position

We are a short-term secured financing service provider in Shanghai. According to the Euromonitor Report, we are one of the most established short-term secured financing service providers in Shanghai in terms of market share. We are a member of the SPTA, PRC Pawn Professional Committee (全國典當專業委員會), the Executive Council of the Shanghai Property Right Group (上海產權集團理事會) and have been accredited by the Enterprise Trustworthy and Creditworthy Promotion Association as a Trustworthy and Creditworthy (“守合同，重信用”) corporation.

BUSINESS

We provide convenient and quick access to short-term financings

China's economic growth over the past 30 years has created a growing private enterprise sector. The expansion of businesses and various commercial activities has created a growing demand for funding. However, SMEs and individuals often lack the track record to obtain sizeable lines of credit from commercial banks. Even with the required collateral, the loan approval process by commercial banks is time consuming and usually takes more than one month.

We aim to cover the SMEs and individuals segments by providing short-term secured financing services to them. SMEs and individuals are our main focus of business and accounted for all of our turnover during the Track Record Period. When all of our loan application conditions are satisfied, we are able to approve and grant short term loans to SMEs and individuals within two to seven days. We complement the role played by commercial banks by providing speedy, convenient and efficient services for customers who need cash on short notice.

Moreover, through our services ranging from financial consultancy to provision of short-term loans and after loan services, we are able to provide a quick and convenient financing service for our customers' funding needs. We aim to provide an expedient service by focusing our loan approval mainly on the value of collateral. We normally provide finance as long as the collateral provided by our customers meets our loan application requirements.

We have strong risk management with professional valuation of assets

Risk management is integral to the success of our business. In comparison to banks, the core of our assessment of loan approval is based on the value of collateral provided by customers. We believe our advantage over banks is our low loan-to-value ratio. We generally aim to provide a low loan-to-value ratio of approximately 40-60%, which is generally lower than banks' loan-to-value ratio for mortgages which can be as high as 70%. Our exposure to losses even at default is therefore significantly lower than that of banks'. We concentrate on serving SMEs and individuals and the total interest incomes generated from our loans were secured by real estate.

In order to maintain our risk at minimum levels, we focus our attention on the identification and creditworthiness of the borrower and the legal ownership and accurate valuation of collateral. The value of a loan we provide is substantially based on the value of collateral. As a matter of risk management, we usually issue loans with a loan-to-value ratio of no more than approximately 60% of the estimated value of collateral. Most of our loan documents and charge documents are notarised by the local notary office. During the Track Record Period, we had not charged or notarized the loan documents for four customers because of reasons including the extra low average loan-to-value ratio of 21.5%, extra short borrowing period of 2.04 months or where the borrower had already secured the required bank loan. While notarisation is not required by the PRC law, in accordance with the Civil Procedural Law of the PRC (中華人民共和國民事訴訟法) and the Notary Law of the PRC (中華人民共和國公證法), in the case of default by the borrower, the relevant PRC court will summarily order the enforcement of the charge document, thereby allowing us to exercise our rights against the mortgaged or pledged collateral without going through prolonged litigation proceedings. In accordance with the Property Law and the Guarantee Law of the PRC, we register all real estate mortgages at and obtain certificates of registered mortgages (他項權利證) from the Shanghai Real Estate Trading Center (上海市房地產交易中心). We also conduct

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credit checks on our customers through searches of tax databases and PBOC credit reports, and request our customers to provide sureties and enter into compulsory enforcement agreements with courts for extra comfort.

To ensure the required collateral is sufficient to cover the requested loan, our staff undertake in-house training to maintain good standards for the accurate valuation and authentication of personal property, thereby minimising the risks of misrepresentation or fraud. For real estate collateral, if the collateral is a residential property, the collateral valuation department will conduct valuation by reference to the market rates and site visits in the course of due diligence. If the collateral is a commercial property, we will appoint an independent appraiser to perform the valuation where necessary. We request a valuation report from an independent appraisers which are qualified and recognised by the courts of the PRC. The cost of valuation by independent appraiser is borne by the customer. We also work with the police to exchange information to prevent criminal activities.

In addition, our Directors are comfortable with the valuation on real estate collateral because the term of loans provided by us is short. We usually provide a term of six months or shorter, which helps us minimise our risk of exposure to real-estate market fluctuations.

We have an established customer base and sales channel

We have been providing short-term secured financing service to our customers for over six years. Through our dedication to understanding and experience in serving the needs of many SMEs and individuals, a number of customers repeatedly use our secured financing service to meet their immediate financing needs. We have established long term relationships with our customers and some of our existing customers have been using our services for more than three years. For the two years ended 31 December 2009 and the seven months ended 31 July 2010, we had approximately 37, 32 and 23 repeated customers respectively for our Real Estate Backed Loans. Some of our new customers are referred by our existing customers for our full range of services. We have established a database that comprises a complete profile of all our customers for our sales team to carry out promotion activities on customised financing services. We have also established our sales channel through our relationships with real-estate agents, financial consultancy agents and commercial banks through SPTA, real-estate trading centre (房地產交易中心) and China Association of Small and Medium Enterprises (中國中小企業協會), which help build a wide customer referral network and further increase our customer base.

We have an experienced management team

We consider the strength of our management team to be fundamental to our success. Members of our management team, including our founders, Mr. Shi and Mr. Ji, have on average more than six years of experience in the short-term secured financing and financial consultancy business in the PRC. We believe the extensive experience of our management team in the PRC short-term secured financing and financial consultancy business, together with their industry knowledge and in-depth understanding of the market, should enable us to continue to take advantage of future market opportunities and expand into new markets.

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We adopt a successful marketing strategy

The Directors believe the Group's marketing strategy is one of the factors for its success.

Our marketing strategy emphasises the use of various channels to build up the image of our brandname and to differentiate ourselves from other traditional short-term secured financing businesses. We attract customers through our own sales channel referrals from agents or existing customers, referrals from other financing consultancy service providers and advertising through media and printed materials. As a type of promotional material, brochures and booklets provide information on the Group's services. The Directors believe that public awareness toward the Group should be enhanced through the distribution of these brochures and booklets, and customers can gain a deeper understanding on the Group's culture and the benefits of our services.

OUR BUSINESS STRATEGIES

Our primary goal is to maintain and strengthen our position as a short-term secured financing service provider in Shanghai and to expand our market in Shanghai, Zhejiang and Jiangsu Provinces which has a high concentration of SMEs. We plan to achieve our goal by implementing the following strategies.

Strengthen our position in Shanghai and expand our market into Zhejiang and Jiangsu Provinces and Hong Kong

The rapidly growing consumer spending needs in the PRC and the national macro-economic controls which have tightened bank credit have led to an increasing demand for short-term consumer and SME loans with a short approval time. In order to capture this market opportunity, we plan to implement the following actions:

- increase the aggregate amount of loans which may be advanced by us;
- expand the scale of our loan operation and means (including entrusted loans);
- establish a branch office in Shanghai, Zhejiang or Jiangsu Provinces;
- tailor our marketing campaigns for SMEs in Shanghai, Zhejiang and Jiangsu Provinces and promote other marketing efforts with related short-term secured financing trade associations; and
- expand into Hong Kong in the near future by commencing our money lending business in Hong Kong.

Diversify the nature of our services

We intend to expand into certain other areas of financing services as permitted by applicable laws and regulations, including loan guarantee and finance lease in Shanghai; entrusted loan, financial consultancy and financial guarantee in Shanghai, Zhejiang and Jiangsu Provinces; and money lending business in Hong Kong.

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The size of our pawn loan operation is directly restricted by the size of our registered capital in accordance with the Pawning Measures. In order to expand our market share, our Directors plan to increase registered capital of Shanghai Yintong from RMB40 million to RMB120 million, thereby increasing the aggregate amount of loans we can provide to serve more customers. Baokang Guarantee, subject to the applicable policies, will provide loans in an aggregate amount of RMB80 million to Jinhan Investment and Xinrong Asset through entrusted loan arrangement with authorised bank(s) in the PRC pursuant to the Structure Contracts; Jinhan Investment and Xinrong Asset will then use the fund to inject into Shanghai Yintong so as to increase the registered capital of Shanghai Yintong from RMB40 million to RMB120 million.

We plan to engage in the provision of guarantee to customers in favour of commercial banks and have obtained the approval for the establishment of Baokang Guarantee from the Jiangsu Provincial People's Government (江蘇省人民政府) on 11 December 2009. As at the Latest Practicable Date, we have not commenced our loan guarantee business. We plan to invest approximately RMB100 million in Baokang Guarantee, of which RMB80 million will be advanced to Jinhan Investment and Xinrong Asset through an entrusted loan arrangement with authorised bank(s) in the PRC to increase the registered capital of Shanghai Yintong. By acting as a guarantor, we may be required to deposit a minimum of 10% of the loan amount with the bank as a guarantee, where the commercial banks shall charge interest rates directly to the customers for the principal loan amount. In case of default by the customers, we shall be liable for the whole of the principal loan amount to the banks. However, in order to minimise the risk, we shall, before acting as a guarantor, seek security from the customers either by way of collateral and/or surety as indemnity for any potential loss. We shall also keep a low loan-to-value ratio of approximately 50% of the total principal loan amount. We plan to employ a local expert with extensive experience in the banking and guarantee business to head Baokang Guarantee. As at the Latest Practicable Date, we were still in the course of sourcing the relevant expert for Baokang Guarantee and will commence our loan guarantee business only after we employ the relevant expert. We will also develop and establish relevant internal control and risk assessment measures for our loan guarantee business in due course.

We also aim to commence our money lending business in Hong Kong in the first half of 2011, and have already obtained the Money Lenders Licence on 21 January 2010 as required in accordance with laws and regulations of Hong Kong. Our target customer for the money lending business in Hong Kong will be SMEs and individuals. Our plan is to invest approximately HK\$20 million in the money lending business in Hong Kong, which will be funded by our internal resources. Our aim is to provide loans with an aggregate amount of approximately HK\$100 million per year, which will be funded by our capital investment and from bridging loans advanced by other financial institutions in Hong Kong. We plan to employ an expert with extensive experience in money lending to head the Hong Kong money lending operation. As at the Latest Practicable Date, we were still in the course of sourcing the relevant expert for our money leading business and will commence our money lending business only after the relevant expert is employed. We will also develop and establish relevant internal control and risk assessment measures for our money lending business in due course. There is no regulatory limitation in Hong Kong as to the size of loans extended to customers.

By expanding our services, we will diversify our business and reduce our reliance on short-term pawn loan services alone. We plan to continue to maintain our focus on secured financing services and will also seek other financing services opportunities including finance lease. According to the

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Administrative Measures on Foreign Investment in the Finance Lease Business (外商投資租賃業管理辦法), for the establishment of a foreign invested financial lease enterprise, a preliminary application has to be made to and accepted by the relevant provincial level commerce authorities and MOFCOM will approve and issue an Approval Certificate for a foreign investment enterprise (外商投資企業批准證書). The PRC Legal Adviser is of the view that there will be no legal impediment for our Group to obtain the required approval certificate where our Group submits all documents required or the application for an approval.

Possible merger and acquisition opportunities

We intend to pursue merger and acquisition opportunities within the industry in order to further expand our business. We intend to seek targets that have the potential to complement our existing sales network or our business model. We believe that successful acquisitions will bring synergies to our Group and enhance our Company's value to our shareholders. As at the Latest Practicable Date, there was no target identified and no definitive agreement had been entered into. We will make an announcement in accordance with the applicable GEM Listing Rules if and when necessary.

OUR PRINCIPAL BUSINESS ACTIVITIES

As a short-term financing service provider in Shanghai, we offer different kinds of secured financing and related financial consultancy services to our SME and individual customers in order to meet their short-term financial needs.

(A) Secured Financing

Our retail financing is mainly short-term secured financing where customers can approach us directly through our sales outlet to request a loan. We believe short-term secured financing is a quick and convenient source of funds for our customers. We grant loans based on the value of collateral pledged by customers.

We contract for interest and administration fees to compensate for the use of the funds loaned and to cover direct operating expenses related to the transaction. The interest and administration fees are typically calculated as a percentage of the loan amount based on the size and the duration of the transaction. The maximum interest and administration fees are 0.4% and 2.7% per month for real estate pawn loan, respectively, and 0.4% and 4.2% per month for personal property pawn loan, respectively, as permitted by the laws and regulations of the PRC. Please also refer to the paragraph headed "Pricing and interest charges for our services" under this section for further details. The rate and amount of the fees are clearly disclosed to the customer on the loan ticket.

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The tables below summarise the detail of loans we have entered into that are secured by real estate collateral during the Track Record Period.

Real-estate pawn loans

	Year ended 31 December		Seven months
	2008	2009	ended 31 July 2010
No. of new loans	68	59	35
Average size of loan (RMB)	683,382	4,451,186 [#]	1,254,000
Average loan-to-value ratio (%)	23.84	38.89	29.27
No. of loans with surety (No. of loans)	18	12	1
Average surety ratio (%) ^(Note 1)	26.47	20.34	2.86
Average loan repayment period (No. of months) ^(Note 2)	5.57	3.58	3.87
No. of loans renewed (No. of loans)	54	36	19
No. of loans renewed ratio (%)	79.41	61.02	54.29

Note 1: Number of loans with surety over the number of new loans in a calendar year.

Note 2: The calculation of average loan repayment period does not include defaulted loans, but includes renewed loans.

^{#:} Including loans which have not fully complied with the Pawning Measures and/or the Judicial Interpretation of the Supreme Court. The business scale of Shanghai Yintong was small when it commenced business in 2003 and given the rapid expansion of the short-term financing market from 2005 to 2009 Shanghai Yintong did not have sufficient human resources to cope with such expansion. It therefore focused on its risk management rather than compliance. In 2009, there had been 36 real estate pawn loans which had not fully complied with the Pawning Measures, and three real estate pawn loans which had not fully complied with the Judicial Interpretation of the Supreme Court. Rectification measures have been taken by Shanghai Yintong in regard to the non-compliances, details of which are disclosed in the section headed "Business – Legal Proceedings and Compliance - Compliance" of this prospectus.

Entrusted loans

	Year ended 31 December 2009	Seven months ended 31 July 2010
No. of new loans	4	6
Average size of loan (RMB) ^(Note 1)	25,250,000	32,916,667
Average loan-to-value ratio (%)	23.28	19.25
No. of loans with surety (No. of loans)	2	5
Average surety ratio (%) ^(Note 2)	50.00	83.33
Average loan repayment period (No. of months) ^(Note 3)	5.75	4.00
No. of loans renewed (No. of loans)	3	3
No. of loans renewed ratio (%)	75.00	50.00

Note 1: The size of entrusted loans is mainly contributed by our corporation customers with commercial real estate ranging from, approximately 900 sq.m. to 167,000 sq.m. in floor space. For the Track Record Period, our entrusted loan customers comprised of five real estate developers, four property related enterprises and one electronics manufacturer with annual revenue ranging from RMB4.1 million to RMB136.6 million for the year 2009.

Note 2: Number of loans with surety over the number of new loans in a calendar year.

Note 3: The calculation of average loan repayment period does not include defaulted loans, but includes renewed loans.

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The table below summarises the details of loans we have entered into that are secured by personal property during the Track Record Period.

Personal property pawn loans

	Year ended 31 December		Seven months
	2008	2009	ended 31 July 2010
No. of new loans	337	256	146
Average size of loan (<i>RMB</i>)	3,433	3,586	4,069
Average loan-to-value ratio (%)	65.03	61.90	59.82
No. of loans with surety (<i>No. of loans</i>)	0	0	0
Average surety ratio (%) <i>(Note 1)</i>	N/A	N/A	N/A
Average loan repayment period (<i>No. of months</i>) <i>(Note 2)</i>	4.5	3	1.6
No. of loans renewed (<i>No. of loans</i>)	206	149	61
No. of loans renewed ratio (%)	61.1	58.2	41.8

Note 1: Number of loans with surety over the number of new loans in a calendar year.

Note 2: The calculation of average loan repayment period does not include defaulted loans, but includes renewed loans.

(1) Pawn loans

A pawn loan is commonly defined or understood to mean a loan provided against the security of the pledge or deposit of personal property such as jewels and other personal chattels. In many jurisdictions around the world, the pawn industry is therefore categorised as the business of lending small amounts of money in exchange for personal property that is deposited as security by the borrower. However, the pawn industry in the PRC is not restricted to the business of providing small loans against the security of pledged personal property. The Pawning Measures and other relevant PRC laws and regulations provide that pawn businesses may accept mortgages over real property as security for the provision of loans to borrowers. In practice, this means that pawnbrokers in the PRC may, within the limits prescribed by law, lend large amounts of money in exchange for real property that is mortgaged to the pawnbroker as security by the borrower. Moreover, in contrast to the common practice in many jurisdictions where pawn loans are strictly non-recourse loans for which the borrower cannot be personally liable, the Pawning Measures provide that where a borrower fails to repay a loan in excess of RMB30,000 and the money received by the pawnbroker from the sale or auction of the relevant forfeited pawned property is insufficient to repay the outstanding principal loan amount, accumulated interest, and combined expenses (including the cost of the auction or sale), the pawnshop may file a suit against the borrower at the People's Court to recover the shortfall. We typically limit our loan-to-value ratios to approximately 40-60% so that the collateral itself provides overcollateralisation of the loan. To further lower our risk exposure, we may require the customer to provide surety for the loan as an additional comfort under a separate agreement. For corporate customers, where the owner(s) of the corporation is an individual, we will usually request surety from the individual owner. Where the owner(s) of the corporate customer is also a company or/and individual customers who are borrowing on behalf of another individuals, we may request surety.

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The following tables set out the profiles of our customer for real estate secured pawn loans completed during the Track Record Period:

Corporate customers

Corporate customer's revenue per annum	Under RMB10 million	RMB10 – 100 million	Over RMB100 million
Number of corporate customers	1	4	4

The corporate customers we had during the Track Record Period were mostly corporations with annual revenue of over RMB10 million and their businesses vary from restaurant to real estate development.

Individual customers

During the Track Record Period, the majority of our individual customers are owners of private companies and their businesses vary from construction to advertising. Where our customers are individuals, according to the Pawning Measures, the legal owners of the collateral are the individuals. As a result, we principally collect financial information regarding only the individual customers and not the private companies which may be owned by them.

Collateral

Size of real estate collateral	Under 100 sq.m.	100 – 500 sq.m.	Over 500 sq.m.
Number of collateral – 2008	21	41	6
Number of collateral – 2009	14	33	1
Number of collateral – the seven months ended 31 July 2010	7	26	2
Number of collateral – total	42	100	9

The sizes of real estate collateral mortgaged to us by individual customers during the Track Record Period were mostly under 500 sq.m.

(i) *Real estate pawn loans*

We operate our pawn loan business through Shanghai Yintong. Real estate pawn financing is carried out by mortgaging the borrower's real estate as collateral. The short-term real estate pawn financing is our conventional business and the income derived from it accounted for approximately 88.7%, 96.1% and 9.6% of our total turnover for the two years ended 31 December 2009 and the seven months ended 31 July 2010, respectively.

BUSINESS

All of our real estate pawn loan customers are SMEs, proprietors of SMEs or individuals. For the two years ended 31 December 2009 and the seven months ended 31 July 2010, all of our real estate pawn loan customers were SMEs and individuals. We usually require surety in cases where corporate customers are directly owned by individual shareholders, or where the customer is borrowing on behalf of another, in which case we will request surety from the individual shareholders or the end borrower, respectively. During the Track Record Period, as a substantial part of our customers were individuals borrowing for his/her own purpose, we had a low average surety ratio.

We generally aim to obtain a low loan-to-value ratio for our real-estate pawn loans. The apparently low loan-to-value illustrated in the table above is due to the fact that some customers might only have one asset which could be used as collateral and the value of such collateral was much higher than the requested loan amount. The average total funding of the Group increased significantly from RMB49.5 million for the year ended 31 December 2008 to RMB101.7 million for the year ended 31 December 2009 and to RMB170.8 million for the seven months ended 31 July 2010. The increase in total funding enabled us to focus on providing larger loans to corporate customers and this is reflected in the average size of loan illustrated in the table above.

During the Track Record Period, we had two defaults of real estate pawn loans and their respective collaterals were auctioned off for a total of RMB2.9 million. The final auction prices for the two collateral were only 55.8% and 85.1% of their respective valuations. However due to our low loan-to-value ratio, we were able to fully recover the outstanding loans from the sales at the auction. The auction process normally takes approximately two to three months from default to first auction. According to regulations and common judicial practice, the process of realising the collateral generally takes 90 days. Only in rare circumstances the process may take up to 300 days. The average loan repayment periods for the years ended 31 December 2008, 2009 and the seven months ended 31 July 2010 were 5.57 months, 3.58 months and 3.87 months, respectively.

(ii) *Personal property pawn loans*

We also provide loans using personal property (including, but not limited to, jewelry and watches) as collateral. The Pawning Measures provide that pawnshops may grant loans to pledgors who pledge their personal property. Short-term secured financing using personal property as collateral accounted for 2.4%, 0.6% and 0.2% of our total revenue for the two years ended 31 December 2009 and the seven months ended 31 July 2010, respectively.

During the Track Record Period, we did not have default on personal property pawn loans with a principal loan amount over RMB30,000, while the number of defaults on personal property loans with a principal loan amount under RMB30,000 for the years 2008, 2009 and the seven months ended 31 July 2010 were 53, 36 and 9 respectively. In compliance with the Pawning Measures, for principal loan amount under RMB30,000, we have sold forfeited personal property collateral without auction during the Track Record Period and we were able to fully recover the outstanding loans from sales through our outlets without being auctioned.

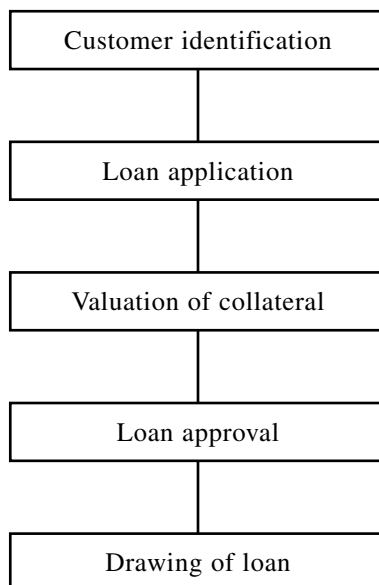
BUSINESS

Operating procedures of our pawn loan business

Our pawn loan business model can be divided into two main parts: granting of loans and after loan services.

(i) Granting of loans

The diagram below illustrates the steps involved in our loan approval process:



Customer identification

We identify potential customers through our own sales channel, referrals from agents or existing customers, referrals from Lucky Consultants and other financing consultancy service providers, and referrals from commercial banks. Please refer to the paragraph headed “Marketing” under this section for further details.

Loan application

In making a loan application, the customer is required to disclose a list of information including the type, location and size of collateral being pawned; size, term and use of the loan; as well as the means of repayment. The customer also needs to provide a series of documentation for a loan application including, but not limited to, a copy of the customer’s identity card, details of collateral and ownership documents. Upon receipt of all relevant documentation, the loan approval department will assess the loan application according to our Group’s internal loan approval guidelines and give recommendation on the loan amount and interest rate. Our guidelines list out a number of conditions to be followed in processing loan applications.

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For individual customers, we make inquiries and a site visit on the real estate collateral; and for single collateral valued under RMB2 million, a loan to value ratio of 40-50% will be given.

We normally do not consider applications where:

- a customer has no reliable source of repayment or clear usage of funds, has poor credit history; is serving in the military; is of ill health; is over 70 years old or has a beneficiary under the age of 18; or
- a loan term of over six months in single transaction; loan amount of over RMB75 million; or a loan to value ratio of over 70%.

However, if the customer meets the internal loan approval guidelines, the application shall be transferred to the valuation department and the collateral shall be evaluated.

For corporate customers, we will:

- request shareholders of the company to provide surety personally and conduct search for any on-going litigation or outstanding tax payment;
- make inquiries and a site visit on the real estate collateral; and
- inspect the company's business licences and expiry dates.

While we are not subject to anti money laundering laws and regulations and are not required by law to establish specific identification and reporting procedures relating to anti money laundering, if during our operations we find stolen goods or goods of unknown origin, we are required by the Pawning Measures to report such findings to the Public Security Bureau. Accordingly, our guidelines for processing loan applications also establish the following measures to check the background of our customers and the collateral to be provided:

For corporate customers:

- obtain credit reports from the PBOC;
- obtain property information from the Shanghai Real Estate Trading Center (上海市房地產交易中心) (for real estate pawn loans);
- obtain the customer's accountant's report for the previous financial year and monthly financial statements (during loan period);
- obtain the customer's most recent annual tax return and quarterly tax return from the Tax Bureau;

BUSINESS

- search the national court website to check whether the customer is subject to enforcement proceedings; and
- when the pawned assets were purchased rather than self developed, obtain the original purchase invoice.

For individual customers:

- obtain credit reports from the PBOC;
- obtain property information from the Shanghai Real Estate Trading Center (上海市房地產交易中心) (for real estate pawn loans);
- search the national court website to check whether the customer is subject to enforcement proceedings; and
- obtain the original purchase invoice for pawned assets (both real estate pawn loans and personal property pawn loans (but not mandatory for personal properties)).

In addition to pre-loan guidelines, we also have post-loan guidelines to identify potential risks on the loans granted including:

- where there is a sudden economic crisis or fall in real estate prices;
- where customers are having difficulties in meeting repayments;
- where customers cannot be contacted for a length of time; and
- where customers neither renew nor extend the loan at the end of the term,

our staff shall inform such circumstances to member(s) of the senior management and/or executive Directors and request early repayment of the loans.

Valuation of collateral

For real estate collateral, if the collateral is a residential property, the collateral valuation department will conduct valuation by reference to the market rates and site visits in the course of due diligence. If the collateral is a commercial property, we will usually appoint an independent appraiser to perform the valuation. We request a valuation report from independent appraisers which are qualified and recognised by the courts of the PRC. The cost of valuation by an independent appraiser is borne by the customer.

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To ensure the collateral is free from any undisclosed encumbrances, in addition to physical inspection of the real estate ownership documents and site visits, we also conduct searches in the Shanghai Real Estate Trading Center (上海市房地產交易中心) to check for encumbrances. All real estates charged or mortgaged are registered with Shanghai Real Estate Trading Center (上海市房地產交易中心). As an internal practice, we also normally reject applications where the collateral has a second mortgage with institutions other than banks, has been seized or is suspected of being the subject of crimes; or where the beneficiary is under the age of 18.

For personal property collateral, we have experienced professional examiners accredited by Gems and Jewelry Trade Association of China (中國寶玉石協會), an Independent Third Party, specialising in the valuation of gem, diamond and jewelry, and Occupational Skills and Capacity Certification Center of Shanghai (上海市職業技能鑒定中心), an Independent Third Party, specialising in the evaluation and admission of special occupational skills and capacity. As an additional measure, we also engage an independent professional appraiser to perform valuations if our examiners cannot provide an accurate valuation. The cost of a valuation by an independent professional appraiser is borne by the customer and our in-house examiners do not charge for the valuation of personal property.

Loan approval

We have a loan approval committee consisting of our chairman and executive Director, Mr. Shi, an executive Director, Ms. Shen and Ms. Ma Rong Yu (馬榮玉). The loan approval committee can approve a single loan application involving a loan of less than RMB4 million. If the loan application involves a loan amount of more than RMB4 million, it will have to be approved by the special loan approval committee comprised of two executive Directors, Mr. Shi and Mr. Ji, and three members of the senior management team, Mr. Ding Lu (丁璐), Mr. Sun Zhen Dong (孫振東) and Ms. Jing Cheng Juan (景成娟). Mr. Shi has a Master's degree in advanced business management and has over 11 years of experience in property financing, financing consultancy and property agency services. Ms. Ma Rong Yu (馬榮玉) had previously worked in China Construction Bank for more than 12 years. Ms. Shen has five years of audit experience with Price Waterhouse Da Hua CPAs and 10 years of managerial experience in finance with a number of multinational companies. Most members of the loan approval committee and special loan approval committee have been with our Group for over six years and the combination of credit control, audit, finance experience from Ms. Ma Rong Yu (馬榮玉), Ms. Jing Cheng Juan (景成娟), Ms. Shen, and legal experience from Mr. Sun Zhen Dong (孫振東) plus the experience of the industry from Mr. Shi, Mr. Ji and Mr. Ding Lu (丁璐) give us a good balance of expertise in making loan assessments. For full details of our loan approval committee members, please refer to the section headed "Directors, Senior Management and Employees" for details of their qualifications and experience.

Execution of loan agreements and enforcement of collateral

After approving a loan application, we arrange the execution of the loan agreement with customers. The loan agreement sets out details of our administration fees and interest rate, the maturity date of the loan and the procedures for dealing with and enforcing the collateral. We also execute a compulsory enforcement agreement with our customers which allows us to enforce the security and dispose of the collateral in court in the event of default in repayment. For real estate collateral, we will also file a registration of the mortgage at the Shanghai Real Estate Trading Center (上海市房地產交易中心) and retain custody of ownership documents of the collateral until the loan is fully repaid.

We also have the majority of our loan documents and charge documents notarised at the local notary office. While notarisation is not required by the PRC law, in accordance with the Civil Procedural Law of the PRC (中華人民共和國民事訴訟法) and the Notary Law of the PRC (中華人民共和國公證法), in the case of default by the borrower, the relevant PRC court will summarily order the enforcement of the charge documents, thereby allowing us to exercise our rights against the mortgaged or pledged collateral without going through prolonged litigation proceedings. In accordance with the Property Law and the Guarantee Law, we register all real estate mortgages at and obtain certificates of registered mortgages (他項權利證) from the Shanghai Real Estate Trading Center (上海市房地產交易中心).

For personal property collateral, we retain custody of the collateral physically until the loan is repaid.

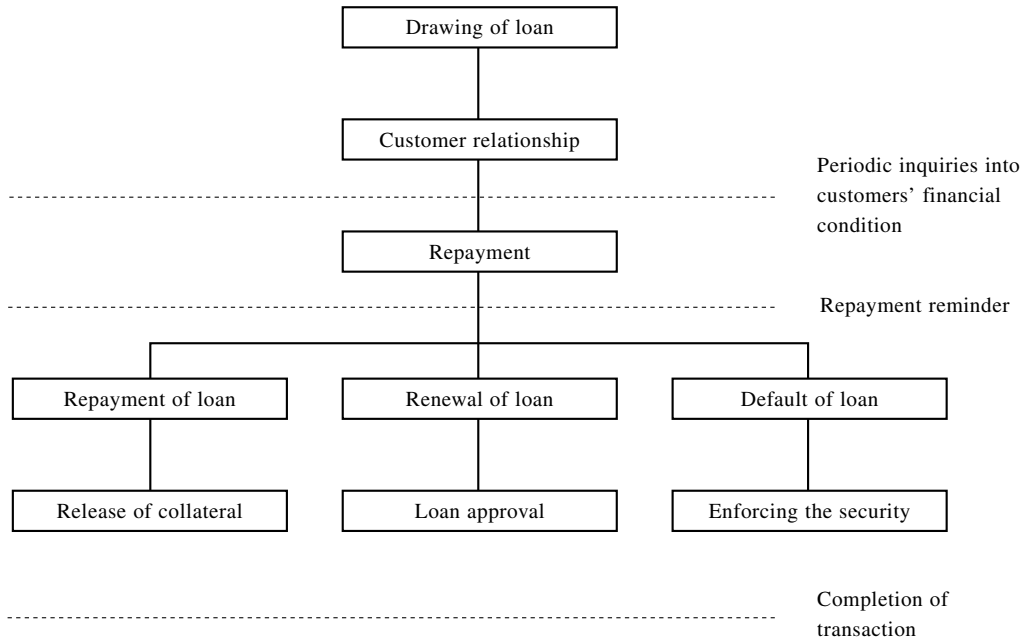
Drawing of loan

In accordance with the terms of our standard loan agreement, our consultancy fee and administration fee are deducted from the approved loan amount before the loan amount is deposited into the customer's designated account as a lump sum. For real estate secured loan transactions, where we are acting as a second and subordinated mortgagee as specifically instructed by the customer, and where the purpose of the loan is solely for the repayment of the initial loan to the first mortgagee, we remit the loan amount directly to the first mortgagee and upon the release of the collateral by the first mortgagee, we then replace the first mortgagee and have first priority over the collateral.

Assuming that all the required documentation has been provided, we provide the outcome of loan applications to our customers within 24 hours upon receipt of all documentation. In any event, the whole loan application process will generally not take more than seven days.

(ii) After loan services

The diagram below illustrates the steps involved in our after loan services:



Periodic inquiries into customers' financial condition

In an attempt to maintain good relations with customers and monitor the risks, our business managers communicate with customers after granting their loans. Our business managers also make inquiries into the customers' financial condition through publicly available information or direct customer contact from time to time. Our sales managers make inquiries at least once every month to check the status and usage of the loan granted and the source of repayment funding to ascertain whether clients have any difficulty in making repayment on time. In addition to oral inquiries, we may also obtain monthly financial statements of the borrower. Where the borrower is a company, we may also contact the finance department head of the borrower's company to check its financial condition. If there is any substantial adverse change to a customer's financial condition, we may take action to demand early repayment to minimise the risks of default.

In deciding the borrower's loan renewal application, we consider the borrower's payment records as an indicator of his/her/its financial condition and integrity.

Repayment reminder

Our business managers remind customers of their loan repayment obligations around five days before its due date to ensure repayments are paid on time.

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Completion of transaction

(a) Repayment of principal and interest

If the customer repays the principal and interest in accordance with the loan agreement, the secured collateral shall be released and the transaction is deemed completed.

(b) Repayment of interest and renewal of loan

In accordance with our loan agreement, a customer may renew the loan provided all interest is repaid on its due date. Any renewal of loan requires approval from our credit control. The loan approval committee is also responsible for approving the renewal of loans.

(c) Default of loan repayment and enforcement of security

In accordance with our loan agreement, if a customer fails to repay the loan or all interest by its due date, a penalty interest of 0.1% per day (or higher rate that is not subject to regulatory threshold in the case the customer forfeits the collateral) will normally be charged and we may instruct our lawyers to issue demand letters and commence legal proceedings against the customer to recover any late payment charges and administration fees five days after the due date. We do not engage any related or Independent Third Parties to enforce repayment other than legal actions through lawyers. In the event of default or failure to repay the full loan by its due date, we can (i) procure the sale of the collateral to Xinrong Asset as prescribed under the Cooperation Framework Agreement, the details of which are set out in the section headed “Connected Transactions” of this prospectus or (ii) rely on the notarised loan and charge documents together with the compulsory enforcement agreement to assist us to expediate the legal proceedings to enforce the security and auction or sell off the collateral to recover the full loan. Due to the low loan-to-value ratio given by us, our Directors believe the proceeds from auction shall cover the outstanding loan amount and all related fees and interest owed to us. Where the proceeds from the auction of collateral with a value of more than RMB30,000 exceed the outstanding loan amount owed to us, we shall forward the surplus to the customer after deducting the expenses arising from the auction. Where the proceeds from the auction of collateral with a value of more than RMB30,000 are insufficient to repay the outstanding principal loan amount, accumulated interest and combined expenses (including the cost of the auction or sale), we may, in accordance with the Pawning Measures, file a suit against the borrower at the People’s Court to recover the shortfall.

During the Track Record Period, for real estate collateral, we recorded RMB2.9 million through auctioning of collateral, and RMB8.5 million of collateral was purchased by Xinrong Asset from Shanghai Yintong during the same period, while the principal amounts of the default loans in respect thereof were RMB1.5 million and RMB7.7 million, respectively. All of the collateral was sold at prices above the principal amounts of their respective loans. For the above proceeds from the auction of collateral, no “net” surplus had been forwarded to the customers because: (i) for the two parcels of real estate auctioned during the Track Record Period, which amounted to RMB2.9 million with a principal loan amount of RMB1.5

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million, after the repayment by Shanghai Yintong to Industrial and Commercial Bank of China (“ICBC”) in relation to the loan amount of approximately RMB0.9 million, in which the customer had also mortgaged the subject real estate to ICBC, and deducting the penalty interest and administration fee incurred for the period after the default of loan, there was no “net” surplus remaining for the customer; and (ii) for the RMB8.5 million collateral purchased by Xinrong Asset from Shanghai Yintong with a principal amount of RMB7.7 million, the settlement for the loan took 330 days from the date of default. The original surplus from the purchase was then all used to meet the penalty interest and administration fee incurred for those 330 days, which resulted in no “net” surplus remaining for the customer.

As at the Latest Practicable Date, for all of our defaulted real estate pawn loans, we could enforce the security and auction off the collateral to recover the outstanding loan amount owed to us by relying on the notarised loan and charge documents together with the compulsory enforcement agreement or by obtaining the necessary enforcement order from the relevant court.

(2) Entrusted loans

As we have capital resources for entrusted loans, we commenced our entrusted loan operation in 2009. According to the Pawning Measures, the maximum outstanding amount owing on property pledged or mortgaged by any one customer should not exceed 25% of the registered capital of a pawn loan provider (i.e. RMB10 million for Shanghai Yintong). As a result, for any loan application greater than RMB10 million by the same customer, in accordance with our internal guidelines, we shall process such application through an entrusted loan arrangement. We provide funding to commercial banks and the commercial banks then use the entrusted fund to grant secured loans to customers according to our requirements. We typically limit our loan-to-value ratios to approximately 40% - 60%, so that the collateral itself provides overcollateralisation of the loan.

In an entrusted loan arrangement, the relationship between the loan provider and the capital provider is that of trustee and trustor; and the relationship between the loan provider and the loan recipient is that of lender and borrower. No direct creditor/debtor relationship exists between the capital provider and the loan recipient, and the borrower will use his/her real estate as collateral to secure the loan. However, in case of default, at the request by our Group, we may obtain from the bank an authorization letter to empower our Group to recover all outstanding amounts and losses. The entrusted loan arrangement does not contravene the prohibition under Pawning Measures for a pawn loan provider from providing unsecured loans. The PRC Legal Adviser has advised that none of the General Rules, the Pawning Measures or any other PRC laws, rules and regulations place any restrictions on the ability of a pawn loan provider to engage in the entrusted loan operation, and that entrusted loans are not governed or regulated by the Pawning Measures. The PRC laws does not place any restriction on the maximum amount of loans that may be provided through entrusted loan arrangements, and as a result, we have developed our entrusted loan operation according to laws and regulations of the PRC in order to increase the aggregate amount of loans which could be advanced by us.

Once the entrusted loan application has been approved by our Group and the bank, an entrusted loan agreement is then signed amongst our Group, acting as the trustor; the entrusted bank, acting as the lender; and the customer, acting as the borrower. our Group will provide the necessary fund by depositing the fund in the entrusted bank’s trust account. The entrusted bank will then act as the lender and release the fund to our customer in accordance with the terms and specifications determined by our Group. For the entrusted loans granted during the Track Record Period, a monthly handling fee ranging from 0.04% to 0.15% of the loan amount was charged by the banks to the borrowers, no interest was charged by the banks for the entrusted loans and the assistance the banks provide to our Group to recover the full loan amount from the customer.

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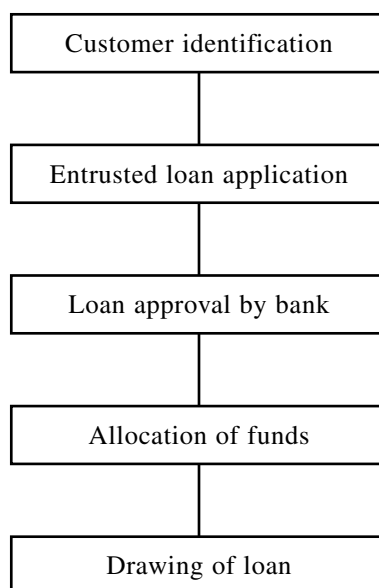
Our entrusted loan operation commenced operation in late 2009 and for the Track Record Period, we had ten customers with loan amounts ranging from RMB10 million to RMB75 million. Our entrusted loan customers are corporations with commercial real estate ranging from approximately 900 sq.m. to 167,000 sq.m. in floor space. For the Track Record Period, our entrusted loan customers comprised of five real estate developers, four property related enterprises and one electronics manufacturer with annual revenue ranging from RMB4.1 million to RMB136.6 million for the year 2009 and a loan period of approximately two to eight months. To the best knowledge of the Directors, the usage of funds by our entrusted loan customers vary from renovation of property to repayment of bank loan.

Operating procedures of our entrusted loan operation

Our entrusted loan operation model can also be divided into two main parts, (i) granting of loans; and (ii) after loan services.

(i) Granting of loans

The diagram below illustrates the steps involved in our loan approval process:



Customer identification

We identify potential customers through our own sales channel, referrals from agents or existing customers, referrals from Lucky Consultants and other financing consultancy service providers, and referrals from commercial banks. Please refer to the paragraph headed “Marketing” under this section for further details.

Entrusted loan application

Similar to our pawn loan business, when a customer requests our entrusted loan service, the customer is required to disclose a list of information including the type, location and size of collateral being mortgaged; size, term and use of the loan; as well as the means of

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repayment. The customer needs to provide a series of documents, including, but not limited to, a copy of the customer's identity card, details of collateral; and property ownership certificate(s) in order to evaluate the loan application. If the customer meets the internal loan approval guidelines, we will then compile a summary report and make the entrusted loan application to the relevant bank.

Our guidelines list out a number of conditions to be followed in processing the loan applications.

For individual customers, we make inquiries and a site visit on the real estate collateral; and we normally do not consider applications where:

- the customer has no reliable source of repayment or clear usage of funds, has a poor credit history; is serving in the military; is of ill health; is over 70 years old or has a beneficiary under the age of 18; or
- a loan term of over six months in a single transaction; a loan amount of over RMB75 million; or a loan to value ratio of over 70%.

However, if the customer meets the internal loan approval guidelines, the application shall be transferred to the valuation department and the collateral shall be evaluated.

For corporate customers, we will:

- request shareholders of the company to provide surety personally and conduct a search for any on-going litigation or outstanding tax payment;
- make inquiries and a site visit on the real estate collateral; and
- inspect the company's business licences and expiry dates.

In addition to pre-loan guidelines, we also have post-loan guidelines to identify potential risks on the loans granted including:

- where there is a sudden economic crisis or fall in real estate prices;
- where customers are having difficulties in meeting repayments;
- where customers cannot be contacted for a length of time; or
- where customers neither renew nor extend the loan at the end of the term,

we shall inform such circumstances to the company and request early repayment of the loans.

For entrusted loan applications, it will have to be approved by a loan approval committee consisting of an executive Director, a member of the senior management team and a loan approval manager, and our special loan approval committee which comprises of two executive Directors and three members of the senior management team.

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We will verify the ownership of the collateral and ascertain whether there is any prior mortgage on the collateral by obtaining the relevant buildings certificate and conducting searches in the Shanghai Real Estate Trading Center (上海市房地產交易中心). We will also evaluate the value of the collateral by engaging independent appraisers to perform the valuation where necessary.

Loan approval by bank

The relevant bank will undergo their internal approval process. After obtaining the approval, our Group will arrange execution of an entrusted loan agreement amongst the bank, the customer and us. The bank will also execute a compulsory enforcement agreement with the customer which allows the bank to enforce the security and dispose of the collateral in court in the event of default of repayment. The bank will also file a registration of the mortgage at the Shanghai Real Estate Trading Center (上海市房地產交易中心).

Allocation of funds

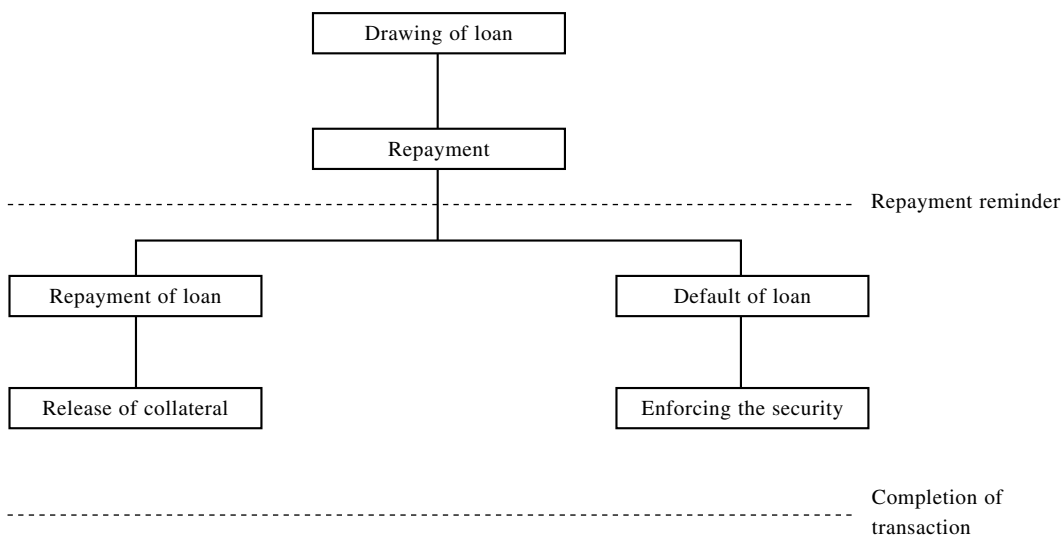
Once all approval processes are satisfied, we will deposit the customer's requested loan amount into a designated trust account with the relevant bank.

Drawing of loan

In accordance with the terms of our entrusted loan agreement, the bank will then deposit the loan amount into the customer's designated account as a lump sum after deduction of fees and interest.

(ii) After loan services

The diagram below illustrates the steps involved in our after loan services:



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Repayment reminder

Our business managers remind customers of their loan repayment obligations around five days before its due date to ensure repayments are paid on time.

Completion of transaction

(a) Repayment of principal and interest

If the customer repays the principal and interest in accordance with the entrusted loan agreement, the bank shall release the secured collateral to the customer and re-deposit the principal loan amount to our designated account.

(b) Default of loan

In accordance with our entrusted loan agreement, if a customer fails to repay the full loan by its due date or defaults on the loan, a penalty interest payable to us will be charged with reference to the principle loan amount (which is not subject to any regulatory threshold in the PRC). In addition, as the entrusted loan agreement is signed amongst our Group, acting as trustor, the entrusted bank, acting as lender, and the customer, acting as borrower, there is no credit relationship between our Group and the customer while the bank, which retains possession of the title documents to the mortgaged real estate, will provide assistance to our Group to recover the full loan from the customer. At our request, the bank will issue an authorisation letter to empower our Group to recover all outstanding amounts and losses, we can then rely on the notarised loan and charge documents together with the compulsory enforcement agreement to assist us to expedite the legal proceedings to enforce the security and auction or sell off the collateral to recover the full loan. In case of default, we may obtain the authorisation letter from the bank within a week. Notwithstanding the issue of authorisation letter by the bank to our Group, the bank remains the lender under the entrusted loan agreement and the collateral provided to secure the loan remains mortgaged to the bank. As such, the PRC Legal Adviser is of the opinion that the issue of such authorisation letter does not contravene the Pawning Measures, the General Rules or any other relevant laws, rules and regulations of the PRC and are legal, valid and enforceable under the PRC laws.

As at the Latest Practicable Date, we did not have any default of an entrusted loan from our customers.

During the Track Record Period, none of the entrusted loans were granted to related parties or state-owned enterprises of China. According to the PRC Legal Adviser, all entrusted loans granted during the Track Record Period were legal, valid and enforceable under PRC laws.

(B) Financial Consultancy

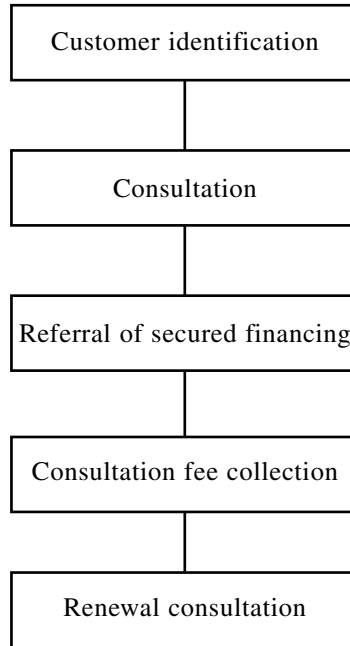
Our financial consultancy service is carried out through Lucky Consultants, the consultancy arm of our Group. As a financial consultancy provider, we provide consultation on recommended collateral and means of financing, as well as assistance on renewal of loans. Our secured financing business provides the funds to the customer directly whereas the financial consultancy service facilitates the customer in

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sourcing a lender to obtain the necessary funds. We aim to distinguish ourselves from other competitors through providing a full range of consultancy services to our customers for retention and brand building purposes as well as a commission generating business.

During the Track Record Period, all of our customers are SME and individuals, the majority of our individual customers are owners of private companies.

The diagram below illustrates the steps involved in our financial consultancy business:



Customer identification

We identify potential customers through our own sales channel, referrals from agents and existing customers, and other commercial banks. We also attempt to attract customers through various advertising and marketing activities. Please refer to the paragraph headed “Marketing” under this section for further details.

Consultation

Our consultancy team examines the needs and objectives of our customers in order to provide a tailored financing solution. The consultancy team assesses the customer’s financial background, credit rating, size of loan required and purpose of the loan to produce a detailed report to determine the recommended collateral and means of financing. Our commitment to our customers is to work on their behalf to secure the required loan through our understanding of financing in the industry. The financial consultation service agreement is entered into between the customer and us.

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Referral of secured financing

Our consultancy team acts on behalf of the customers to find the viable financing solutions, including our short-term secured financing arm of the Group. Through our secured financing arm, qualified customers are first referred to our Group for evaluation. During the Track Record Period, out of 159 customers referred to Shanghai Yintong for real estate pawn loans, 114 of which were referred from Lucky Consultants. Our consultancy team can negotiate a suitable term on behalf of the customer based on the customer's specific financial circumstances. In the case that our Group is unable to proceed with the application, where the collateral is not situated in Shanghai for example, Lucky Consultants can refer the customer to another secured financing company in return for the consultancy fee. If a customer is referred by another financing consultancy service provider to us, the loan application will be transferred to our Group directly.

Consultation fee collection

The key to our business is based on the success of our ability in securing the required funds for our customers. Our consultation fee is payable upon the release of funds by the lender. Please refer to the paragraph headed "Pricing and interest charges for our services" under this section for further details. These consultancy charges contributed approximately 8.9%, 2.7% and 53.1% of our total revenue for the two years ended 31 December 2009 and the seven months ended 31 July 2010, respectively. The rate and amount of the charges are clearly disclosed to the customer on our service agreement. During the Track Record Period, Lucky Consultants normally charged approximately 1% to 2.5% of the principal loan per month to the customer until the loan is repaid.

For the years ended 31 December 2008 and 2009, Lucky Consultants referred all its customers to Shanghai Yintong. As from 1 January 2010 to 31 July 2010, Lucky Consultants had made two referrals to other financing companies with a monthly referral fee of 2%.

Renewal consultation

We provide consultancy services to our customers for the whole duration of the loan until the outstanding loan is fully repaid. If the customer wishes to renew the loan for an extended period, we can also extend our consultancy service for an additional consultancy fee.

(C) Loan guarantee

Our loan guarantee service will be carried out through Baokang Guarantee, the loan guarantee arm of our Group. For our loan guarantee service, we will act as an intermediary between the lending bank and our customer, who is a borrower. In order to facilitate customers in obtaining a loan from banks, we will act as a guarantor of the loan in case of default. By acting as a guarantor, we may be required to deposit a minimum of 10% of the loan amount with the bank as a guarantee where the commercial banks shall charge interest rates directly to the customers for the principal loan amount. We do not charge a service fee to commercial banks and for the borrowers, we plan to charge a fee based on the size and duration of the loan and the financial background of the borrowers. The guarantee serves as an additional comfort to banks because banks are less exposed to the need to recover the full amount of the loan. In return, banks are more willing to grant the loan. This is also a way for customers to build up their credit ratings with

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banks and our Directors believe that our loan guarantee service provides a win-win solution for all the parties involved. In case of default by the customers, we shall be liable for the whole of the principal loan amount to the banks. However, in order to minimise the risk, we shall, before acting as a guarantor, seek security from the customers by way of collateral and surety (if necessary) as indemnity for any potential loss. We shall also keep a low loan-to-value ratio of approximately 50% of the total principal loan amount. We plan to employ a local expert with extensive experience in banking and guarantee business to head Baokang Guarantee. As at the Latest Practicable Date, we were still in the course of sourcing the relevant expert for Baokang Guarantee.

We have received the approval for the establishment of Baokang Guarantee, a loan guarantee business and financial guarantee service provider; as a wholly foreign owned enterprise from Jiangsu Provincial Government (江蘇省人民政府) on 11 December 2009. Jiangsu is a SME concentrated province and we aim to provide loan guarantee services to support SMEs to build their credit ratings. Baokang Guarantee obtained its Business Licence from the Suzhou Industrial Zone Jiangsu Provincial Administration for Industry and Commerce (江蘇省蘇州工業園區工商行政管理局) on 12 May 2010. As confirmed in a letter provided to Baokang Guarantee by the Suzhou Industrial Zone Jiangsu Provincial Administration for Industry and Commerce (江蘇省蘇州工業園區工商行政管理局) on 30 May 2010 (which is after the announcement on 8 March 2010 of the Interim Measures for the Administration of Financial Guarantee Companies (融資性擔保公司管理暫行辦法), as a foreign invested enterprise, Baokang Guarantee is permitted to commence its financial guarantee service business once its registered capital is paid in full. According to relevant PRC Law, the registered capital of Baokang Guarantee must be paid up as to 15% within three months from the date of issue of the Business Licence, with the balance to be paid up within two years from the date of issue of the Business Licence. We applied to and on 20 July 2010 received approval from the Suzhou Industrial Zone Jiangsu Provincial Administration for Industry and Commerce (江蘇省蘇州工業園區工商行政管理局) for an extension for the payment period of the whole of the registered capital of Baokang Guarantee until 31 December 2010. The PRC Legal Adviser has advised that, as at the Latest Practicable Date, procedures for the implementation of the Interim Measures for the Administration of Financial Guarantee Companies (融資性擔保公司管理暫行辦法) were yet to be released and no specific implementation rule had been announced in Jiangsu province establishing a system for the approval and issue of the new financial guarantee service licence. Our Directors, after consultation with the PRC Legal Adviser and the Suzhou Industrial Zone Jiangsu Provincial Administration for Industry and Commerce, consider that we may or may not be required to obtain the new financial guarantee service licence as stipulated under the Interim Measures for the Administration of Financial Guarantee Companies (融資性擔保公司管理暫行辦法). The PRC Legal Adviser, based on further consultations regarding the commencement of Baokang Guarantee's business with the Suzhou Economic and Information Technology Commission (蘇州市經濟和信息化委員會) and the Suzhou Industrial Zone Jiangsu Provincial Administration for Industry and Commerce, has confirmed that Baokang Guarantee is, as of the Latest Practicable Date, permitted to commence its ordinary guarantee business and, upon the payment at its registered capital in full, shall be permitted to commence its financial guarantee service business. Upon the announcement of an implementation rule, even if Baokang Guarantee is required to obtain the new financial guarantee service licence, based on: (i) consultations with the Suzhou Economic and Information Technology Commission (蘇州市經濟和信息化委員會) and the Suzhou Industrial Zone Jiangsu Provincial Administration for Industry and Commerce (江蘇省蘇州工業園區工商行政管理局); (ii) the fact that at the time of its establishment, Baokang Guarantee fulfilled all of the pre-requisites for the establishment of a financial guarantee service company as set out in Article 9 of the Interim Measures for the Administration of Financial Guarantee Companies (融資性擔保公司管理暫行辦法); and (iii) the fact that the Suzhou Economic and Information Technology Commission (蘇州市經濟和信息化委員會) has indicated that once relevant local implementing rules

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are announced, which is expected to be around March 2011, there should be no impediment to Baokang Guarantee obtaining the requisite licence, our Directors and the PRC Legal Adviser are of the opinion that Baokang Guarantee could fulfil all relevant requirements set out in the Interim Measures for the Administration of Financial Guarantee Companies (融資性擔保公司管理暫行辦法) in order to obtain the new financial guarantee service licence.

INTERNAL CONTROL AND RISK ASSESSMENT

Real Estate Backed Loan and financial consultancy service

We recognise the importance of internal control and risk assessment for the smooth running of our business. In order to better manage our external and internal risks, such as fraud and human error by our employees, we have implemented an operation and compliance manual which sets out various operational instructions, guidelines, policies and risk control measures for our business. The manual sets out detailed rules and instructions on human resource management, administration management, finance management, business management and business operation procedures.

The core of our business is to provide finance and financial consultancy based on our risk assessment of the customer and its collateral. We have taken measures to identify those inherent risks and steps to minimise or manage such risks every stage along the consulting process. Taking into account our conservative valuation and our of the low loan-to-value ratio, we believe our risk exposure is relatively low and the existing measures in place can sufficiently protect our interest for our Real Estate Backed Loans and financial consultancy services. Please also refer to the paragraphs “Operating procedures of our pawn loan business – Loan application” and “Entrusted Loan – Entrusted loan application” in this section for the details on the application criteria.

As a result of the global financial crisis, our Directors believe the tightening of credit has increased the number of our customers and the increase in number of distressed real estate has led to a drop in real estate prices. We have taken measures to react to the global financial crisis by requiring a valuation by independent appraisers to obtain a more accurate valuation where necessary, lowering our loan-to-value ratio to reflect the risk associated with the fluctuation in real estate prices, and being more alert to customers’ financial situation in our approval and after-loan stages.

On 17 April 2010, the State Council issued the State Council Notice, pursuant to which the State Council raised the minimum first instalment for second home purchases to 50% and set a minimum 30% first instalment on first homes with a GFA of more than 90 square meters. The notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of PBOC benchmark lending rate; and interest rates for mortgage loans and minimum first instalments for third or subsequent homes shall be increased substantially. Our Directors believe the State Council Notice in controlling the properties price has little effect on our business because of our conservative valuation and our low loan-to-value ratio which enable us to maintain a steady operation and not subject to short term fluctuation in properties price.

In addition to approval of loans, the loan approval committee also carries out the role of risk assessment on repayment of loans. We have a risk reporting protocol in place (i.e. by making inquiries into the customers’ financial condition through publicly available information or direct customer contact from time to time. Please refer to the paragraph headed “Our Principal Business Activities – (A) Secured

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Financing – Periodic inquiries into customers’ financial condition” for details) where on the discovery of increased risk in accordance to our guidelines, our staff shall report to member(s) of the senior management and/or executive Directors. The matter may then be brought forward to the attention of the loan approval committee for further action including demand for early repayment. Our risk assessment essentially focuses on the value of collateral, with customers cash flow being considered as one of the factors.

Application of loans

This is the initial stage of our business where gathering of information is our priority. We require the customer to complete an application form detailing, with supporting documents, the proposed use of loan, the type, size and location of the collateral, proposed means of repayment, duration of loan, the identity and any other encumbrances associated with the collateral or the customer. In order to identify the creditworthiness of the borrower, we conduct credit checks on borrowers through searches of PBOC credit reports. Our customer manager and/or our department manager will decide whether or not to proceed with the application after assessing the initial information provided in accordance with our internal guidelines, and make recommendation on the terms of the loan including the type of secured financing and the rate of interest. If the customer does not qualify the requirements set in our internal guidelines, the application will be rejected but we may refer the customer to other secured financing provider in return for a commission.

For our financial consultancy service, we perform similar checks as above to recommend the appropriate financing solution based on the customer’s financial background.

In order to maintain our staff with up-to-date market information, we usually provide loan assessment training to our staff at least once per month with topics including training on client’s credit and financial reports, valuation of real estate, tax rates of real estate transfer, legal information and internal guidelines. During the Track Record Period, we have provided training for eight to ten of our staff regularly. As most of the training was provided by our staff specialised in a specific area, we incurred minimal expenses for the training sessions during the Track Record Period.

Valuation

Throughout the loan application, we focus on the accurate valuation of the collateral in order to minimise risks and determine the loan amount given the value-to-loan ratio with which we would be comfortable with. We typically limit our loan-to-value ratios to approximately 40% to 60%, so that the collateral itself provides overcollateralisation of the loan. This is also the focus of our risk assessment when compared to the traditional commercial banks which focus on the customer’s creditability in their lengthy and complicated loan approval process. For customers who have not passed our loan approval committee, we may refer such customers to other financing providers in return for a commission. We rely on many sources to determine the estimated valuation, including internet research on recent official real estate transaction prices and our employees’ experience in depositing similar collateral in the past.

In addition to our internal valuations, for commercial real estate, we will also engage independent professional real estate appraisers to produce detailed report on the collateral where necessary.

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As part of our internal control, we will also conduct site visits on the properties that are to be used as collateral to minimise any potential fraud or human error.

Evaluation and approval

Once we are comfortable that the information gathered has passed various requirements set out in our internal guidelines, the application will then proceed to our loan approval committee for their review on valuation, terms and general risk assessment. The composition of our loan approval committee is stated in our internal policies and comprises an executive Director, a member of the senior management team and a loan approval manager. We also have a special loan approval committee for approving high value transactions, which comprises of two executive Directors and three members of the senior management team.

Under our internal policies, the loan approval committee is authorised to approve a single loan transaction of less than RMB4 million, and the special loan approval committee is authorised to approve a single loan transaction of over RMB4 million. We believe our internal control on risk management can minimise risks of fraud, default or any other losses to our business.

For our entrusted loan transactions, approvals from the loan approval committee consisting of an executive Director, a member of the senior management team and a loan approval manager and for entrusted loans with over RMB10 million, the special loan approval committee comprises of two executive Directors and three members of the senior management team is also required for such loans under our internal policies.

Default and bad debt

From time to time, some of our customers will fail to make repayments on time or default on the loan. As part of our risk management, we have a range of procedures in place to ensure we can enforce the collateral in the event of default. Most of our loan documents and charge documents are notarised by the local notary office with compulsory enforcement agreements. While notarisation is not required by the PRC law, in accordance with the Civil Procedural Law of the PRC (中華人民共和國民事訴訟法) and the Notary Law of the PRC (中華人民共和國公證法), in the case of default by the borrower, the relevant PRC court will summarily order the enforcement of the charge document in accordance with the compulsory enforcement agreements, thereby allowing us to exercise our rights against the mortgaged or pledged collateral without going through prolonged litigation proceedings. In accordance with the Property Law and the Guarantee Law, we register pledges over property rights at the relevant government authorities, and register all real estate mortgages at and obtain certificates of registered mortgages (他項權利證) from the Shanghai Real Estate Trading Center (上海市房地產交易中心). For the majority of our customers, we also require them to execute and notarise a compulsory enforcement agreement to provide us the power to enforce the collateral in court in the event of default or dispute, and if necessary we will also request a surety for the loan as an additional comfort. In accordance with the laws and regulations of the PRC, the surety is a form of guarantee which is usually provided by a person or corporation with good knowledge of the borrower and the nature of the loan. Amongst the list of obligations the surety is undertaking and guaranteeing, the surety primarily guarantees the authenticity and the accuracy of the disclosure the borrower has made to us for the loan, and also the obligation for the loan repayment for a period of two years after the due date of the loan.

In the event of default or failure to repay the full loan by its due date, we can rely on the notarised loan and charge documents together with the compulsory enforcement agreement to assist us to expediate the legal proceedings to enforce the security and auction or sell off the collateral to recover the full loan.

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For the disposal of collateral, the customer shall bear all the costs in relation to the sale of collateral to repay us the loan, and engage the nominated appraisal agency as agreed by the customer and us in the loan agreement.

In addition, the entrusted loan agreement is signed by our Group, acting as trustor, the entrusted bank, acting as lender, and the customer, acting as borrower. In case of default, the bank will issue an authorisation letter to empower our Group to recover all outstanding amounts and losses, we can then rely on the notarised loan and charge documents together with the compulsory enforcement agreement to assist us to expedite the legal proceedings to enforce the security and auction or sell off the collateral to recover the full loan.

Loan guarantee and money lending businesses

As at the Latest Practicable Date, we have not commenced the loan guarantee business in the PRC and money lending business in Hong Kong. Our Directors are aware of the challenges and risk associated with our expansion plans in the relatively inexperienced territories. Please see the section headed “Risk Factors – we will be exposed to various risks as we expand our range of products and services” of this prospectus. However, with our careful planning we believe the benefit and opportunities in penetrating those new markets will be beneficial to our Group. As part of our careful planning, we shall ride on our experience in pawn loan business to develop and establish relevant internal control and risk identification measures for the above new businesses.

In line with our existing pawn loan business, we intend to focus our attention in the internal control and risk identification areas.

Internal control

We believe the most effective way to enter into a new market is through local expertise. We are currently in the process of recruiting experts with relevant experience to manage the money lending business in Hong Kong and loan guarantee business in the PRC. We aim to incorporate our existing business structure from our pawn loan business into money lending and loan guarantee businesses, for example, by conducting credit checks on borrowers and focus on accurate valuation of the collateral in order to minimise risk.

Risk identification

We believe our success in pawn loan business can be attributed to our identification and management of risk. Our senior management are experienced in finance and risk management and we plan to ride on our experience and utilise our skills and knowledge with customers to support our new businesses. We acknowledge the market environment for money lending in Hong Kong and loan guarantee business in the PRC may be different from the pawn loan business in Shanghai, however, we plan to employ sales and management with relevant local experience to ensure we can penetrate the new markets.

PRICING AND INTEREST CHARGES FOR OUR SERVICES

As a short-term financing service provider, our pricing structure comprises of interest, administration fees and consultancy fees from the provision of our services. The level of interest and administration fees permitted to be charged on real estate pawn loans are regulated by the Pawning Measures.

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Interest and administration fee are charged by our Group for the risks associated for the granting of loans and the services provided throughout the duration of the loans from application, approval to after loan services respectively.

Consultancy fees are usually charged by Lucky Consultants for providing consultation on recommended collateral, assisting the customer in sourcing actual funds from short term financing providers, including but not limited to making referrals to our Group and also providing assistance on loan application and renewal of loans procedure, which is only payable upon successful sourcing of the actual fund.

We received a confirmation letter (the “**Second Confirmation Letter**”) from the Department of Service Industry Development of the SMCC (上海市商務委員會服務業發展處) dated 30 June 2010 confirming that the administration fee charged by Shanghai Yintong in 2009 is not regulated by the Pawning Measures and does not constitute part of the interest or administration fees. Furthermore, the Second Confirmation Letter confirmed that Lucky Consultants does not provide pawn loan services and as such does not come under the supervision of the SMCC in accordance with the Pawning Measures. Therefore the administration fees for entrusted loans are not subject to any threshold related to the interest and administration fee provided in the Pawning Measures.

The table below illustrates the rate of charges normally payable for our services after Listing:

	Interest (Monthly %)			Administration Fee (Monthly %)			Consultancy Fee (Monthly %)		
	RE	PP	EL	RE	PP	EL	RE	PP	EL
Shanghai Yintong ¹	0.4	0.4	1.62 ³	2.7	4.2				
Lucky Consultants ²							1 – 2		1 – 2.5

Key

RE: Real estate pawn loan
 PP: Personal property pawn loan
 EL: Entrusted loan

Notes

- ¹ Maximum rates chargeable permitted under the laws and regulations of the PRC.
² Chargeable rates not regulated by laws and regulations of the PRC and the maximum rates are therefore not applicable.
³ Entrusted loans will be carried out by our Group’s companies other than Shanghai Yintong.

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The table below illustrates the rates of charges applied by us and the 6-month PBOC rates during the Track Record Period:

	Interest (Monthly %)			Administration Fee (Monthly %)			Consultancy Fee (Monthly %)			Penalty/Late Charge (Daily %)			PBOC rates (Monthly %) ⁴
	RE	PP	EL	RE	PP	EL	RE	PP	EL	RE	PP	EL	
Shanghai Yintong 2010 ³	0.3-0.4 ⁶	0.4 ⁶	1.5-1.62	0.8-2.7 ⁷	4.2 ⁸	1.0 ⁵				0.1	0.05	0-1.62 (monthly %)	0.41
Shanghai Yintong 2009 ¹	0 - 2.3 ⁶	0.41 ⁶	1.3 - 1.62	2.5 - 2.7 ⁷	4.2 ⁸	0.88 - 1 ⁵				0.1	0.05	0 - 1.62 (monthly %)	0.41
Shanghai Yintong 2008 ²	0.3 - 1.8 ⁶	0.41 - 0.55 ⁶		2.2 - 2.7 ⁷	4.2 ⁸					0.05 - 0.1	0.05		0.41 - 0.55
Lucky Consultants 2010 ³							0.4 - 4		1 - 2.9				
Lucky Consultants 2009 ¹							0.4 - 1.5		1 - 1.5				
Lucky Consultants 2008 ²							0.3 - 1.3						

Notes

¹ For the year ended 31 December 2009.

² For the year ended 31 December 2008.

³ For the seven months ended 31 July 2010.

⁴ 6-month PBOC rates calculated on a monthly basis.

⁵ We commenced our entrusted loan operation in late 2009 with the assistance of Shanghai Yintong in liaising with commercial banks for the arrangement. As such, for the entrusted loans granted by Shanghai Yintong, administration fee was charged by Shanghai Yintong as this is not regulated by the Pawning Measures. However, no administration fee will be charged by Shanghai Yintong for loans granted after 31 January 2010.

⁶ The applicable interest rate for real estate and personal property pawn loans permitted under the Pawning Measures is a rate not exceeding the PBOC official interest rate for six month term loans.

⁷ The maximum administration fee applicable for real estate pawn loans permitted under the Pawning Measures is 2.7% per month.

⁸ The maximum administration fee applicable for personal movable property pawn loans permitted under the Pawning Measures is 4.2% per month.

(a) Pawn loans

During the Track Record Period, Shanghai Yintong charged interest rates ranging from 0% to 2.3% per month and administration fees ranging from 2.5% to 2.7% per month for our real estate pawn loans.

As from 2010, we charge administration fees and interest from our short-term pawn loan customers in accordance with the Pawning Measures. For real estate pawn financing, we may charge administration fees of up to 2.7% per month and an interest at a rate of up to 0.4% per month. For other financing using personal movable property as collateral, we may charge administration fees of up to 4.2% per month and interest at a rate of up to 0.4% per month.

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According to the Pawning Measures, while pawn loan providers are permitted to collect administration fees for the provision of pawn loans in advance, interest on pawn loans must not be collected in advance. However, during the Track Record Period certain customers voluntarily choose to pay interest in advance because administration fees constitute the majority of the total fees payable and, moreover, we understand that such customers may prefer to avoid the inconvenience of having to pay interest on a monthly basis and the potential of having to pay penalty interest at the rate of approximately 3% per month in the case they forget to pay interest on time. The PRC Legal Adviser is of the opinion that while the Pawning Measures prohibit the pre-collection of interest by a pawn loan provider, the “Pre-collection of interest by a pawn loan provider” should be distinguished from the “pre-payment of interest by some customers” on the basis that “pre-payment of interest by some customers” is made on a voluntary basis by the relevant customer and is not a pre-condition for the provision of a pawn loan. The PRC Legal Adviser is of the opinion that the voluntary pre-payment of interest by some customers could not be considered as a breach of the Pawning Measures.

(b) Entrusted loans

We charge interest on our short-term entrusted loans to customers. In accordance with the Opinion on Certain Matters Pertaining to Cases Involving Loans (關於人民法院審理借貸案件的若干意見), the interest rate for entrusted loans may not exceed a ceiling which is four times the benchmark lending rate of the PBOC. For entrusted loans, we do not charge an administrative fee and in order to have the resources to maintain a competitive service, we charge interest at a rate of up to 1.62% per month, which does not exceed the relevant ceiling. During the Track Record Period, Shanghai Yintong had charged interest rates from 1.3% to 1.62% per month for our entrusted loans. The PRC law does not prescribe any ceiling to the rate of penalty interest that may be applied in the case of default in repayment of an entrusted loan.

(c) Consultancy

We charge consultancy fees to our customers for assisting them in securing the required loan through real estate pawn loan or entrusted loan. The fees we charge for our consultancy service is not subject to any threshold imposed by the laws and regulations of the PRC. As from 2010, we normally provide consultancy service and charge our customers 1% to 2% per month for the duration of the loan transaction until it is fully repaid. The PRC Legal Adviser has confirmed consultancy fees charged by the Company have not breached the relevant laws or regulations of the PRC.

CUSTOMERS

Our customers include SME and individual borrowers. For the two years ended 31 December 2009 and the seven months ended 31 July 2010, our five largest customers accounted for approximately 42%, 66% and 64% respectively, of our total revenue, while the largest customer accounted for 17%, 22% and 16% respectively, of our total revenue for the same periods. During the Track Record Period, we had in aggregate 5 active SME customers and 77 active individual customers. The average length of relationship for active SME and individual customers together for the years ended 31 December 2008, 2009 and the seven months ended 31 July 2010 were approximately 19, 23 and 21 months respectively.

None of our Directors or their respective associates, or any Shareholder who, to the knowledge of our Directors, holds more than 5% of our issued Shares, had any interest in any of our customers or our five largest customers during the Track Record Period.

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SOURCE OF FUNDING

We principally finance our operations through a combination of (i) capital contributions from shareholders, (ii) amount received from Xinrong Asset or other enterprises as deposit and part payment of the purchase price of secured loans advanced by Shanghai Yintong to its customers and its collateral when the secured loans are in default and (iii) borrowings from banks. During the Track Record Period, for the year ended 31 December 2008, the average total funding amounted to RMB49.5 million with capital contributing 80.8% and bank borrowing contributing 19.2%; for the year ended 31 December 2009, the average total funding amounted to approximately RMB101.7 million with capital contributing 39.3%, bank borrowings contributing 32.5% and deposit contributing 28.14%; and for the seven months ended 31 July 2010, the average total funding amounted to approximately RMB170.8 million with capital contributing 23.4%, bank borrowing contributing 17.0% and Xinrong Asset's deposit contributing 59.6%.

MARKETING

The principal marketing strategies of our Group are our own sales channels, referrals from agents or existing customers, referrals from other financing consultancy service providers and advertising through media.

During the Track Record Period, for the year ended 31 December 2008, our own sales channel, referral from property agents or existing customers, referral from other finance agents, referral from banks contributed to 64.8%, 5.5%, 29.0% and 0.7% respectively, to our sales; for the year ended 31 December 2009, our own sales channel, referral from property agents or existing customers, referral from other finance agents, referral from banks and referral from media contributed to 48.3%, 8.6%, 32.2%, 5.9% and 5.0% respectively, to our sales and for the seven months ended 31 July 2010, our own sales channel, referral from property agents or existing customers, referral from other finance agents, referral from banks and referral from media contributed to 57.6%, 14.3%, 20.7%, 3.8% and 3.6% respectively, to our sales.

(a) Our own sales channels

Potential clients can approach us through our telephone hotline, website and our sales outlet in Shanghai. We also use our sales and marketing team to source customers through our existing database, cold-calling and promotion materials. As confirmed by the PRC Legal Adviser, cold-calling is not unlawful and is in compliance with relevant advertising laws, rules and regulations in the PRC.

The pictures below show our sales outlet in Shanghai located on Level 1, No. 805 Quxi Road, Luwan District, Shanghai, the PRC.



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(b) Referral from agents or existing customers

We maintain good business relationships with property agencies. The property agencies refer potential clients to our financial consultancy advisors for their financial needs. We also get referral from the SME committee through the promotion of our services.

(c) Referral by other financing consultancy agents

We also accept referral from other financing consultancy agents in the market.

(d) Referral from commercial banks

Through close working relationships with many commercial banks, many customers are referred to us through commercial banks for our professionalism and efficiency.

(e) Media

We advertise our services through a number of platforms in Shanghai to attract new customers. We advertise in taxis, buses, newspapers and we also distribute brochures to advertise our services at our office, sales outlet, property agents' offices and property development company to promote our business. During the Track Record Period, a total of approximately RMB721,000 was spent on advertising our services and due to our good relationships with various property agencies, nil consideration was paid for the distribution of brochures.

COMPETITION

The financing services industry in the PRC is competitive, and we compete with numerous other companies for borrowers.

Although some of our larger competitors may have a wider and more established customer base and have substantially greater financial and marketing resources. Nonetheless, we believe the following competitive strengths may allow us to compete effectively with our major competitors:

- fully integrated services through multiple financing platforms;
- speed of approval of loans;
- the availability of sizable loans to be provided;
- expansion of secured financing network in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong;
- extensive relationship with intermediates; and
- effective sales network.

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INSURANCE

We maintain social insurance for our employees as required by the PRC social security regulations. For the two years ended 31 December 2009 and the seven months ended 31 July 2010, the total amount of social insurance paid by our Group was approximately RMB261,000, RMB325,000 and RMB233,000 respectively.

We also maintain insurance for the personal property which is kept in the safe of our local branches as collateral. The total amount of property insurance paid by our Group during the Track Record Period was RMB1,000. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims.

PROPERTY INTEREST

Land and buildings

As at the Latest Practicable Date, we held land use rights and building ownership rights of a premises in Shanghai of approximately 569.54 sq.m.

Leased properties

We leased three offices in Huangpu District, Shanghai with an aggregate area of approximately 698.76 sq.m. from Jinhan Investment, our Controlling Shareholder and two Independent Third Parties.

In addition, we leased a premises in Luwan District, Shanghai which is used principally as our office and has an aggregate area of approximately 2,479.91 sq.m. from an Independent Third Party. Our business premises with an aggregate area of approximately 349.01 sq.m. is on the first and third floors of the building. We have sub-leased an aggregate area of approximately 2,130.9 sq.m. to two Independent Third Parties.

The PRC Legal Adviser has confirmed that the lessors of the above properties are the owners of the respective properties and that the owners have obtained valid long term land use right certificates for the respective leased properties, however, the lease agreement for the above leased properties have not been registered. As confirmed by the PRC Legal Adviser, the non-registrations of the respective lease agreements will not impact on their effectiveness. The parties are bound by the agreements once the agreements have been entered into.

We also leased a premises in Wanchai, Hong Kong with a total gross floor area of 2,860 sq.ft. from an Independent Third Party.



During the Track Record Period, we did not experience any dispute arising out of the land and buildings leased by us.


Property valuation

The summary of valuation and the valuation certificates for the property rights to these properties issued by BMI Appraisals Limited is set out in the section headed "Property Valuation" in Appendix IV to this prospectus.

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INTELLECTUAL PROPERTY RIGHTS

We have applied for registration of the trademarks “” and “” in the PRC with the Trademark Bureau of the State Administration of Industry and Commerce.

We have registered the trademark “” in Hong Kong.

Our Directors consider that we have not experienced any infringement of our intellectual property rights by third parties, nor have we infringed any intellectual property rights owned by third parties.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our operating results or financial conditions.

Compliance

According to the relevant PRC laws and regulations, the provision of pawn loan is a “Special Administrated Industry” which is administrated by the Ministry of Public Security and MOFCOM.

As at the Latest Practicable Date, we had obtained the following licences and permits for the operation of our business, in addition to our business licences:

Name of our Group member	Name of licences/permits	Expiry date of licences/permits
Shanghai Yintong (PRC)	– 典當經營許可證 (Pawn Operations Business Licence) – 上海市特種行業許可證 (Shanghai City Special Industry Licence)	11 August 2015 N/A
Lucky Consultants (PRC)	– 上海市房地產經紀企業備案證書 (Shanghai City Registration Certificate of Real Estate Agents)	31 December 2011
Vigo Investment (Hong Kong)	– Money Lenders Licence	20 January 2011

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The Pawning Measures were only announced on 9 February 2005 and came into effect on 1 April 2005. The business scale of Shanghai Yintong was small when it commenced business in 2003. Given the rapid expansion of the short-term financing market from 2005 to 2009, Shanghai Yintong did not have sufficient human resources to cope with such expansion and it focused on its risk management rather than compliance. As a result, during the Track Record Period, there were instances where Shanghai Yintong was not in material compliance with relevant thresholds prescribed by the Pawning Measures and relevant Judicial Interpretation in the following respects:

- (i) charging interest for its real estate pawn loans that exceeded the maximum permitted amounts, which is a rate not exceeding the PBOC official interest rate for six month term loans;
- (ii) providing single real estate pawn loans in amounts exceeding the prescribed threshold permitted by the Pawning Measures, which for us is RMB4 million (10% of the then registered capital of Shanghai Yintong); and
- (iii) providing pawn loans to a single customer with an outstanding balance exceeding the threshold prescribed threshold permitted by the Pawning Measures, which for us is RMB10 million (25% of the then registered capital of Shanghai Yintong).

For the years ended 31 December 2008 and 2009, Shanghai Yintong had in aggregate 19 and 36 real estate pawn loans and the accumulated principal amount of real estate pawn loans not in full compliance with the Pawning Measures amounted to RMB12.04 million and RMB234.32 million, respectively. The interest charged by Shanghai Yintong over the prescribed thresholds permitted by the Pawning Measures for the real estate pawn loans amounted to approximately RMB0.39 million and RMB5.64 million. The interest rate charged over the prescribed thresholds permitted by the Pawning Measures for the year ended 31 December 2008 and 2009 were 0.1% – 1.3% and 0.1% – 1.9% respectively.

Based on an annual audit for 2008, the Department of Service Industry Development of the SMCC (上海市商務委員會服務業發展處) found that in the course of conducting its secured finance operations during the year ended 31 December 2008, Shanghai Yintong had engaged in the non-compliance practices outlined above. The PRC Legal Adviser has advised that on the basis that all material non-compliances had been disclosed to SMCC and in accordance with Article 60 of the Pawning Measures, Shanghai Yintong should be subject to an administrative penalty for engaging in such practice, with the maximum penalty being a fine of RMB30,000. We received a confirmation letter (the “**Confirmation Letter**”) from the Department of Service Industry Development of the SMCC (上海市商務委員會服務業發展處) dated 12 January 2010 noting that Shanghai Yintong had taken rectification measures and confirming that as of the end of 2009, the operations of Shanghai Yintong were in compliance with relevant laws, regulations and MOFCOM provisions. The Confirmation Letter further stated that, on the basis that the non-compliance did not result in any loss or damage to any relevant third party, Shanghai Yintong received an oral warning from a senior official of the Department of Service Industry Development of the SMCC (上海市商務委員會服務業發展處) requesting Shanghai Yintong to take rectification measures to comply with the Pawning Measures. The oral warning was made during the course of the 2008 annual inspection by a senior official of the SMCC directly responsible for overseeing and managing the government administration of the pawn industry in Shanghai. As advised by the PRC Legal Adviser, an oral warning constitutes one of the forms of administrative penalty under Article 8 of the Administrative Penalty Rules of the PRC (中華人民共和國行政處罰法).

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During the course of the legal due diligence work performed by the PRC Legal Adviser and prior to the receipt by our Company of the Confirmation Letter issued by the competent department of the SMCC, the Company presented the competent department of the SMCC with a document setting out all material non-compliances with the Pawning Measures by Shanghai Yintong that had been identified by the PRC Legal Adviser. Since then, Shanghai Yintong had passed the requisite annual inspection for pawn operators conducted by the competent department of the SMCC. Given that (i) we have passed all annual inspections by the competent department of the SMCC and obtained all necessary licences and permits to operate our existing business in the PRC; (ii) all such licences and permits remained valid and effective throughout the Track Record Period and as at the Latest Practicable Date; and (iii) the SMCC has issued us with the Confirmation Letter, the PRC Legal Adviser is of the view that there is no likelihood that Shanghai Yintong's Pawn Operations Business Licence will be revoked by the relevant authorities on the basis of Shanghai Yintong's non-compliance with the relevant rules and regulations as outlined above.

Furthermore, the PRC Legal Adviser is of the opinion that such non-compliances with the Pawning Measures as outlined above in respect of the prescribed thresholds permitted by the Pawning Measures for interest, fees and loan amounts will not render the relevant loan contracts invalid. In accordance with Article 52 of the Contract Law of the PRC (中華人民共和國合同法), a contract will be deemed invalid if it contravenes the mandatory provisions of a law or an administrative regulation. In accordance with the Legislation Law of the PRC (中華人民共和國立法法), measures such as the Pawning Measures cannot be properly categorised as a law or an administrative regulation.

The relevant Judicial Interpretation of the Supreme Court states that the maximum interest rate that may be applied on a loan must not exceed four times the applicable interest rate announced by the PBOC. Accordingly, while the loan contract itself remains legal, valid and enforceable, Shanghai Yintong may not enforce the collection of an amount of interest that is in excess of such interest rate. During the Track Record Period, Shanghai Yintong entered into four real estate pawn loan agreements with three customers where interest rates exceeded four times the interest rate announced by the PBOC. The aggregate amount of interest that was collected in excess of such interest rate amounted to approximately RMB1.13 million. Shanghai Yintong has obtained written confirmations from each of the relevant borrowers confirming that none of them will make any claim against Shanghai Yintong in respect of such interest collected by Shanghai Yintong. As such, no refund of the excessive amounts charged to customers will be made by Shanghai Yintong.

Since 1 January 2010, to ensure ongoing compliance with the Pawning Measures and other relevant laws and regulations, we have adopted a more stringent approach by imposing the following measures:

- (i) in the course of obtaining clearance by the loan approval department, our compliance team will cross-check against the party, amount, rate of administrative fees and interest of each loan application, in order to make sure all loan application are in compliance with the Pawning Measures;
- (ii) our loan approval committee/special loan approval committee will review the report prepared by the loan approval department which has been cross-checked by the compliance team and make the final judgment; and
- (iii) our compliance team will obtain updates on relevant laws and regulations from time to time and to check whether our existing practice is in compliance with these updates and if not, to conduct remedial measures.

Our compliance team is led by Mr. Jia Jun (賈軍). Mr. Jia Jun (賈軍) was the deputy general manager of Jinhua Investment since January 2004 and assisted in the setting up of the internal control and operation of Shanghai Yintong as a member of the shareholder company. He was appointed as the supervisor of Shanghai Yintong since February 2009 and in January 2010, he was assigned as the head of the compliance team, responsible for reviewing loan contracts to comply with the Pawning Measures and assessing potential risks from the daily operations.

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We also have a legal department which is responsible for general legal matters of our Group. Our legal department is led by our executive Director, Mr. Ji and is assisted by Mr. Sun Zhen Dong (孫振東), a qualified PRC legal professional, who joined our Group in June 2003 as a chief legal counsel and has been with us for over six years. The biographical particulars of Mr. Ji and Mr. Sun Zhen Dong (孫振東) are set out in the section headed “Directors, Senior Management and Employees” in this prospectus. Both Mr. Ji and Mr. Sun Zhen Dong (孫振東) are committee members of our special loan approval committee.

Besides, our Group has sought and will continue to seek advice from external legal advisers as and when appropriate. We will also allocate adequate financial resources, where necessary (e.g. engaging external legal advisers or recruit more people in the compliance team when our Group’s business continue to develop), to ensure compliance with the applicable laws and regulations.

Below is a table summarising details of the non-compliances and the respective rectification measures:

Non-compliances with the Pawning Measures	Amounts of fees charged by Shanghai Yintong over the prescribed thresholds permitted by the Pawning Measures	Interest rates charged over the prescribed threshold	Rectification measures going forward
(i) charging interest for its real estate pawn loans that exceeded the maximum permitted amounts, which is a rate not exceeding the PBOC official interest rate for six month term loans	2008: RMB0.39 million 2009: RMB5.64 million	2008: 0.1% – 1.3% 2009: 0.1% – 1.9%	Compliance team to cross-check against the party, amount, rate of administrative fees and interest of each loan application
(ii) providing single real estate pawn loans in amounts exceeding the prescribed threshold permitted by the Pawning Measures, which for us is RMB4 million (10% of the then registered capital of Shanghai Yintong)	2008: Nil 2009: RMB2.73 million ⁽¹⁾	2008: N/A 2009: N/A	Loan approval committee/special loan approval committee to review the report prepared by the loan approval department
(iii) providing pawn loans to a single customer with an outstanding balance exceeding the threshold prescribed threshold permitted by the Pawning Measures, which for us is RMB10 million (25% of the then registered capital of Shanghai Yintong)	2008: Nil 2009: RMB3.27 million ⁽¹⁾	2008: N/A 2009: N/A	Compliance team to obtain updates on relevant laws and regulations from time to time

Note:

- RMB2.29 million was the overlap amount charged by Shanghai Yintong for the eight real estate pawn loans which breached the prescribed thresholds of both, (a) providing single loans to a single customer with an amount exceeding RMB4 million; and (b) providing loans to a single customer with an outstanding balance exceeding RMB10 million.

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For the non-compliances with the Pawning Measures in respect of the prescribed thresholds for interest, fees and maximum loan amounts as outlined above, we have consulted with and have been advised by the PRC Legal Adviser that such non-compliances do not constitute a contravention of the Contract Law and therefore will not render the relevant loan contracts invalid. Accordingly, while Shanghai Yintong may not enforce the collection of interest and fees in excess of the relevant thresholds, the borrowers involved in the non-compliance loan contracts cannot as a matter of PRC contract law institute proceedings against us by claiming that the loan contracts were invalid. With respect to the Pawning Measures, according to which the SMCC is the supervising authority, we had taken rectification measures such as consultations with the officials of the SMCC and the PRC Legal Adviser. The officials of the competent department of the SMCC had then issued us an oral warning as a penalty, which we have followed closely and have complied with the Pawning Measures as from 1 January 2010.

Non-compliances with the Judicial Interpretation of the Supreme Court	Amounts of interest charged by Shanghai Yintong over the thresholds permitted by the Judicial Interpretation of the Supreme Court	Interest rates charged over the prescribed threshold	Rectification measures going forward
(i) Charging interest exceeding four times the applicable interest rate announced by the PBOC	2008: Nil 2009: RMB1.13 million	2008: N/A 2009: 0.16% – 0.66%	Compliance team to monitor interest charged from 1 January 2010 to ensure compliance with the Judicial Interpretation of the Supreme Court

With respect to the non-compliances with the Judicial Interpretation of the Supreme Court, the PRC Legal Adviser has advised such loan contracts are valid and enforceable, however the borrowers are not legally bound to pay that portion of the interest that is over and above the relevant permissible threshold. As a result, we have taken rectification measures by obtaining written confirmation from each relevant borrower confirming that they will not make a claim against us. The PRC Legal Adviser has confirmed that the written confirmations are legal, valid and enforceable, and may be submitted as evidence in defence against the relevant claim that may be brought against the Group by any relevant borrower.

As at the Latest Practicable Date, we were not subject to any penalties or claims as a result of or related to the non-compliance loan contracts. Based on the above, our Directors believe the non-compliances during the Track Record Period will not have any financial or legal implications on our business and results of operations. Since 1 January 2010 and up to the Latest Practicable Date, all new loans granted by us were in compliance with the Pawning Measures and other relevant laws and regulations.

As advised by the PRC Legal Adviser, we have obtained all the necessary licences and permits to operate our existing business in the PRC and all such licences and permits remain valid and effective as at the Latest Practicable Date. We confirm that other than the non-compliances set out in the section headed “Business – Compliance” of this prospectus, during the Track Record Period, our Group has complied with the relevant laws and regulations in conducting our business in all material respects.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below are continuing connected transactions which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

1. Structure Contracts

Background

Shanghai Yintong has entered into the Structure Contracts with Lucky Consultants and its equity holders, namely, Jinhan Investment and Xinrong Asset. Details of the Structure Contracts are set out in the section headed "History and Reorganisation – Structure Contracts" of this prospectus.

As at the Latest Practicable Date, Jinhan Investment was wholly beneficially owned by Mr. Shi and Xinrong Asset was wholly-owned by Xinhua Publishing. As Jinhan Investment and Xinrong Asset are connected persons of our Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Structure Contracts are continuing connected transactions and are subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Application for waiver

Our Directors, including independent non-executive Directors, consider that (i) the Structure Contracts are fundamental to the entire structure and the business operations of our Group; (ii) the transactions contemplated under the Structure Contracts are entered into on normal commercial terms, in the ordinary and usual course of our Group's business; and (iii) the terms of the Structure Contracts are fair and reasonable and in the interests of our Group and the Shareholders as a whole. The effect of entering into the Structure Contracts is to combine the results of Shanghai Yintong into our Group as if Shanghai Yintong was a wholly-owned subsidiary of our Group.

The Structure Contracts result in a special position on the related provisions under the GEM Listing Rules on connected transactions and should not be subject to, amongst other things, the usual term of three years or be limited by a fixed term and with an annual cap. In this connection, our Directors consider that it would not be appropriate to subject the Structure Contracts to the announcement and the independent Shareholders' approval requirements under the GEM Listing Rules. Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a perpetual waiver pursuant to Rule 20.42(3) of the GEM Listing Rules for all transactions under the Structure Contracts from strict compliance with the requirements of (i) the announcement and independent shareholders' approval, (ii) setting an annual cap for the transactions, and (iii) fixing the term of the Structure Contracts to three years or less. We will ensure that the transactions under the Structure Contract will be in compliance with the other requirements of Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Conditions of waiver

The perpetual waiver for the Structure Contracts is granted by the Stock Exchange pursuant to Rule 20.42(3) of the GEM Listing Rules subject to the following conditions:

- (a) No change without the approval of the independent non-executive Directors and the independent Shareholders: No changes to the terms and conditions of the Structure Contracts, including the scope of business of Shanghai Yintong of pawn loans, shall be made without the approval of the independent non-executive Directors and the independent Shareholders.
- (b) Flexibility in economic benefits: The Structure Contracts continue to enable our Group to receive the economic benefits derived by Shanghai Yintong through (i) our Group's right (if and when so allowed under the applicable PRC laws and industrial policies) to acquire the assets of or equity interest in Shanghai Yintong; (ii) the business structure under which the revenue generated by Shanghai Yintong after deducting all relevant costs and expenses (including taxes) is retained as management and operation fee by Lucky Consultants; and (iii) Lucky Consultants' right to govern the management of Shanghai Yintong.
- (c) Renewal and/or cloning without the approval of the independent non-executive Directors and the independent Shareholders in general meeting: The framework of the Structure Contracts may be renewed and/or cloned upon the expiry of the existing arrangements or, in relation to any existing or new wholly foreign owned enterprise or operating company that our Group might wish to establish, without obtaining the approval of the independent Shareholders and the independent non-executive Directors, on the same terms and conditions as the Structure Contracts.
- (d) Ongoing reporting and approvals: Pursuant to the terms of the waiver sought from the Stock Exchange, our Group will disclose details relating to the Structure Contracts on an ongoing basis as follows:
 - (i) Details of the Structure Contracts will be disclosed in our Company's annual reports and accounts in accordance with the relevant provisions of the GEM Listing Rules.
 - (ii) The independent non-executive Directors will review the Structure Contracts annually and confirm in the annual reports and accounts of our Company for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structure Contracts and have been operated so that all revenue generated by Shanghai Yintong has been retained as management and operation fee by Lucky Consultants; (ii) no dividends or other distributions have been made by Shanghai Yintong to its equity interest holders; and (iii) any new contracts or renewed contracts have been entered into on the same terms as the existing Structure Contracts and are fair and reasonable so far as our Group is concerned and in the interest of the Shareholders as a whole.

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- (iii) Our Company’s auditors shall carry out agreed-upon procedures annually on the transactions carried out pursuant to the Structure Contracts and will provide a letter to the Board, with a copy to the Stock Exchange, at least ten Business Days prior to bulk-printing of the annual report of our Company, reporting their findings on whether approval of the Board has been received in respect of all transactions and whether the transactions were entered into in accordance with the Structure Contracts and that no dividends or other distributions have been made by Shanghai Yintong.
 - (iv) For the purpose of Chapter 20 of the GEM Listing Rules, Shanghai Yintong will be treated as a wholly-owned subsidiary of our Company but its directors, chief executive and substantial shareholders and their respective associates will be connected persons of our Company, and transactions between our Group and such connected persons will be subject to the requirements under Chapter 20 of the GEM Listing Rules other than those under similar Structure Contracts.
 - (v) Shanghai Yintong has undertaken to our Company that it will provide our Group’s auditors with full access to the relevant records for the purpose of the auditors’ performance of agreed-upon procedures on the relevant transactions under the Structure Contracts.
- (e) New transactions amongst Shanghai Yintong and other members of our Group: There may be new contracts or renewal of the existing contracts to be entered into between Shanghai Yintong and other members of our Group. Given that the financial results of Shanghai Yintong will be combined into our Group’s financial results and given our Group’s relationship with Shanghai Yintong as created by the Structure Contracts, all such new contractual arrangements will also be exempted from the “continuing connected transactions” provisions of the GEM Listing Rules.

Confirmation from our Directors and the Sole Sponsor

Our Directors and the Sole Sponsor confirm that the transactions contemplated under the Structure Contracts are entered into in the ordinary and usual course of business of our Group, and the terms of such transactions are on normal commercial terms, fair and reasonable and in the interests of our Group and the Shareholders as a whole, pursuant to Rule 20.42(3) of the GEM Listing Rules.

2. Cooperation Framework Agreement

Background

Shanghai Yintong and Xinrong Asset have entered into the Cooperation Framework Agreement, pursuant to which each of Shanghai Yintong, as lender of pawn loans, and other members of our Group, as lenders of entrusted loans (the “**Relevant Lender**”) may, at its sole discretion upon it agreeing to grant a loan of not less than RMB5 million to a customer, request

CONNECTED TRANSACTIONS

Xinrong Asset to pay an amount equal to or less than the principal amount of the loan to be advanced to the customer as deposit (the “**Deposit**”). Payment of the Deposit entitles Xinrong Asset a priority right to purchase all or part of the relevant creditor’s rights over collateral pledged or mortgaged to the Relevant Lender (the “**Forfeited Collateral**”) if the customer is in default of repayment of the loan.

As of the Latest Practicable Date, Xinrong Asset was wholly-owned by Xinhua Publishing and a connected person of our Company within the meaning of the GEM Listing Rules. Any sale and purchase of the creditor’s rights over the Forfeited Collateral under the Cooperation Framework Agreement constitutes continuing connected transactions for our Company after the Listing and are subject to reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. The payment of the Deposit by Xinrong Asset to the Relevant Lender for purchasing the creditor’s rights over the Forfeited Collateral under the Cooperation Framework Agreement, if regarded as financial assistance for the purpose of the GEM Listing Rules, will be exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements after the Listing pursuant to Rule 20.65(4) of the GEM Listing Rules given it is for the benefit of our Group on normal commercial terms (or better to our Group) and no security over the assets of our Group is granted to Xinrong Asset.

Principal terms of the Cooperation Framework Agreement

Applicability : The Cooperation Framework Agreement is applicable to pawn loans advanced by Shanghai Yintong and entrusted loans advanced by other members of our Group with a principal amount of not less than RMB5 million.

Although the Pawning Measures restrict a single outstanding real estate pawn loan made by Shanghai Yintong to RMB4 million (i.e., 10% of its existing registered capital), Shanghai Yintong is allowed to make multiple loans of the same kind to a single customer with an outstanding balance up to RMB10 million.

Payment of Deposit : The Relevant Lender may, at its sole discretion upon it agreeing to grant a loan of not less than RMB5 million to a customer, request Xinrong Asset to pay the Deposit. Payment of the Deposit entitles Xinrong Asset a priority right to purchase all or part of the relevant creditor’s rights over the Forfeited Collateral. In such case, the Deposit may be used as payment or part payment of the purchase price of the relevant creditor’s rights. The total of any and all Deposits to be paid by Xinrong Asset under the Cooperation Framework Agreement shall not exceed RMB200 million from time to time.

CONNECTED TRANSACTIONS

The amount of Deposit payable by Xinrong Asset was agreed by Xinrong Asset and our Group on an arm's length basis.

List of Forfeited Collateral : Our Group shall provide to Xinrong Asset by the end of each month or from time to time a list setting out the Forfeited Collateral. If Xinrong Asset elects to purchase the creditor's rights over a particular Forfeited Collateral, Xinrong Asset and the Relevant Lender shall at the cost of Xinrong Asset jointly obtain an independent valuation on such Forfeited Collateral from a third party valuer. In the event that the fair market value of such Forfeited Collateral is below the amount owed by the customer to the Relevant Lender, Xinrong Asset is not entitled to purchase the same. If Xinrong Asset elects not to purchase any or all of the creditor's rights over the Forfeited Collateral set out in the list within 7 days, Xinrong Asset shall be deemed to have renounced its priority right to purchase the creditor's rights.

Sale of Forfeited Collateral : The Relevant Lender shall take all necessary steps as permitted by the applicable laws to procure that upon default in repayment of loans by the customer, Xinrong Asset may at its sole discretion purchase the relevant creditor's rights over the Forfeited Collateral. The Relevant Lender does not have the discretion to decide whether or not to sell such creditor's rights and such sale is not subject to the consent of the customer.

There is no limit on the value of the Forfeited Collateral which Xinrong Asset may purchase the creditor's rights thereon. As it is Xinrong Asset to decide whether or not to purchase the creditor's rights, our Directors are of the view that such arrangements would not expose Xinrong Asset to a significant risk.

Way of Sale : Forfeited Collateral will be sold by way of either (i) private arrangements; or (ii) public auction. A Forfeited Collateral will be sold by way of private arrangements if the borrower agrees to do so. In the absence of the borrower's agreement, the Forfeited Collateral will be sold by public auction.

Purchase Price : (1) If the borrower agrees that the Forfeited Collateral is to be sold by private arrangements, the price to be paid by Xinrong Asset shall be equal to (i) the aggregate of the principal amount of the loan, accrued interest, default interest (if any) and related expenses; or (ii) the agreed value of the Forfeited Collateral.

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Where Forfeited Collateral is to be sold by way of private arrangements, the price of the sale would be determined by negotiation with the customer.

- (2) If there is no agreement as referred to in (1) above, the Forfeited Collateral will be sold by public auction. If Xinrong Asset is the highest bidder, the price to be paid by Xinrong Asset shall be equal to the highest bid price.

Where the Forfeited Collateral is to be sold by way of public auction, the reserve price for the sale of the Forfeited Collateral would be determined with reference to fair market value determined by a third party valuer. In the event that the Forfeited Collateral could not be successfully sold, the reserve price would be adjusted downwards for a second auction and, if necessary, a third auction. In the event that the Forfeited Collateral could not be sold after a third auction, an application would be made to the court for its sale, with the minimum price to be determined with reference to the reserve price for the third auction. Notices regarding the public auctions will be published by the relevant courts in newspapers to notify the public of the public auctions. Besides, our Group will inform potential buyers and real estate agents of the public auctions.

Return of Deposit : If the customer repays the loan when due, or if Xinrong Asset elects not to purchase or is deemed to have renounced its right to purchase the relevant creditor's rights, the Relevant Lender shall, within 3 business days, return the relevant Deposit to Xinrong Asset together with interest calculated at a rate equal to 80% of the interest rate for RMB saving accounts prescribed by PBOC during the relevant period. Any Deposit used for purchase of creditor's rights over the Forfeited Collateral or returned to Xinrong Asset will be added back to the RMB200 million threshold.

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During the year ended 31 December 2009, (i) the total Deposit paid by Xinrong Asset amounted to RMB132 million, of which RMB55 million was returned to Xinrong Asset and RMB77 million was related to loans to customers with due date after 31 December 2009; and (ii) purchase by Xinrong Asset of creditor's rights over the Forfeited Collateral amounted to RMB8.5 million. During the seven months ended 31 July 2010, (i) the total Deposit paid by Xinrong Asset amounted to RMB136 million, of which RMB15 million was returned to Xinrong Asset and RMB121 million was related to loans to customers with due date after 31 July 2010; and (ii) Xinrong Asset did not purchase any creditor's rights over the Forfeited Collateral

No interest expenses have been paid to Xinrong Asset during the Track Record Period as the interest accrued in respect of the Deposit paid after the effective date (being 1 January 2010) of the Cooperation Framework Agreement amounted to only RMB10,800 as at 31 July 2010, which Xinrong Asset considered to be immaterial and has agreed to defer the payment thereof until December 2010. Furthermore, during the Track Record Period but prior to the effective date of the Cooperation Framework Agreement there was no requirement under the then arrangements between Xinrong Asset and Shanghai Yintong for the payment of interest to Xinrong Asset. Our Directors are of the view that the monthly interest charged by the Relevant Lender to its customers is sufficient to cover its financing cost pertaining to the interest payable to Xinrong Asset.

Based on the interest rate for RMB savings account prescribed by PBOC of 0.36% per annum as at the Latest Practicable Date and assuming that the Deposit of RMB200 million is fully utilised by our Group throughout a full year, interest payable to Xinrong Asset will amount to approximately RMB570,000.

Term : From 1 January 2010 to 31 December 2012.

During the Track Record Period, Xinrong Asset has not purchased the creditor's rights over any Forfeited Collateral below its fair market value, and it had not sold the Forfeited Collateral it purchased as at the Latest Practicable Date. Since Xinrong Asset is not entitled to purchase the Forfeited Collateral if its fair market value as appraised by an independent valuer is below the amount owed by the customer to the Relevant Lender, our Directors consider it is unlikely that Xinrong Asset will declare bankrupt due to its being unable to sell below-market-value Forfeited Collateral at a reasonable price. As such, the possibility of any negative consequential impact on our Group arising from our entry into the Cooperation Framework Agreement is minimal.

The Deposit contemplated under the Cooperation Framework Agreement is a payment by Xinrong Asset to the Relevant Lender that provides Xinrong Asset the right to purchase from the Relevant Lender all or part of the creditor's rights over the relevant Forfeited Collateral if a customer of the Relevant Lender is in default of repayment of a loan. The restriction in the Pawning Measures against pawnshops "accepting cash deposits in any form" is a restriction against accepting cash deposits from members of the

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public in the manner ordinarily performed by licensed banks. As advised by the PRC Legal Adviser, the entry into the Cooperation Framework Agreement and the payment of the Deposit in accordance therewith are in compliance with the relevant PRC laws and regulations, including the Pawning Measures, and the Cooperation Framework Agreement is legal, valid and binding on the parties thereto, and since Xinrong Asset is not a pawnshop nor carrying out pawn business, the Pawning Measures are not applicable to its payment of the Deposit. Up to the Latest Practicable Date, our Group has not received any legal claim or threats from our customers in respect of the Forfeited Collateral sold to Xinrong Asset through auction or otherwise.

Historical transaction amounts

Xinrong Asset commenced payment of the Deposit for the priority right to purchase creditor's rights over the Forfeited Collateral in April 2009. For the year ended 31 December 2009 and the seven months ended 31 July 2010, the purchase of Forfeited Collateral by Xinrong Asset amounted to RMB8.5 million and nil respectively. For the period from 1 August 2010 to the Latest Practicable Date, Xinrong Asset had not purchased any Forfeited Collateral.

Proposed annual caps

Our Directors estimate that the annual amount to be paid by Xinrong Asset for purchasing creditor's rights over the Forfeited Collateral for the three years ending 31 December 2010, 2011 and 2012 are as follows:

	For the year ending 31 December		
	2010	2011	2012
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Pawn loans	5	30	30
Entrusted loans	15	90	108

In determining the annual caps for the sale and purchase of the Forfeited Collateral of pawn loans for the two years ending 31 December 2011 and 2012, we have taken into account that following the increase of its registered capital to RMB120 million after the Listing, Shanghai Yintong will be allowed to make pawn loans up to RMB30 million to one customer, and we assume that not more than one customer with pawn loan balance of RMB30 million will default in repayment each year. Such assumption is made to cover the scenario where the customer with the maximum pawn loan balance defaults in repayment. The annual cap for the year ending 31 December 2010 is pro rata for about two months remaining in the year 2010.

In determining the annual caps for the sale and purchase of Forfeited Collateral of entrusted loans for the two years ending 31 December 2011 and 2012, we have taken into account the largest entrusted loan made by our Group during the Track Record Period of RMB75 million, our expectation that the amount of the largest entrusted loan will increase 20% each year given the increase in funding available for entrusted loan operation after the Listing, and we assume that not more than one customer with the largest amount of entrusted loan will default in repayment each year. Such assumption is made to cover the scenario where the customer with the largest entrusted loan balance defaults in repayment. The annual cap for the year ending 31 December 2010 is pro rata for about two months remaining in the year 2010.

CONNECTED TRANSACTIONS

One of our Group's competitive edges over our competitors including commercial banks is that while commercial banks usually have lengthy and complicated approval processes, we are able to approve and grant short term loans to our customers within two to seven days so as to meet our customers' immediate liquidity needs. Accordingly, we strive to provide speedy, convenient and efficient services for customers who need cash on short notice. To achieve this end, we need to maintain a relatively flexible liquidity in carrying on our business. Besides, the price of the Forfeited Collateral is vulnerable to change in economic and market conditions. The disposal of the Forfeited Collateral within a short period of time will enable our Group to use the proceeds thereof to meet customers' immediate demands and reduce the risks resulting from unpredictable changes in economic and market conditions. Our Directors consider that the above annual caps, which are fixed with reference to the maximum pawn loan balance and the largest entrusted loan balance, are fair and reasonable and in the best interest of our Group and the Shareholders as a whole.

Confirmation from our Directors and the Sole Sponsor

Our Directors and the Sole Sponsor confirm that the sale and purchase of the Forfeited Collateral contemplated under the Cooperation Framework Agreement is entered into in the ordinary and usual course of business of our Group, and the terms of such transactions, including the proposed annual caps, are on normal commercial terms, fair and reasonable and in the interests of our Group and the Shareholders as a whole.

Application for waiver

As the sale and purchase of the Forfeited Collateral may be recurring after the Listing, our Directors consider that strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules would be unduly burdensome and impractical.

Accordingly, our Company has applied for, and has received from, the Stock Exchange a waiver from strict compliance with the announcement and independent Shareholders' approval requirements as set out in Chapter 20 of the GEM Listing Rules for the sale and purchase of the Forfeited Collateral on the conditions that:

- (a) the annual caps for the sale and purchase of the Forfeited Collateral shall not exceed the amount set out below:

	For the year ending 31 December		
	2010	2011	2012
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Pawn loans	5	30	36
Entrusted loans	15	90	108

- (b) our Company will comply with Rules 20.35(1), 20.35(2), 20.37 to 20.40 of the GEM Listing Rules, and will re-comply with Rules 20.35(3) and 20.35(4) of the GEM Listing Rules if any of the annual caps set out above is exceeded, or when the Cooperation Framework Agreement is renewed or when there is a material change to the terms of the Cooperation Framework Agreement.

CONNECTED TRANSACTIONS

3. Entrusted Loan Agreement

Background

Pursuant to an entrusted loan agreement dated 19 June 2009 and a supplemental agreement dated 18 June 2010 (collectively, the “**Entrusted Loan Agreement**”) among Shanghai Yintong, Xinrong Asset and the Shanghai City branch of the China Construction Bank Corporation (中國建設銀行股份有限公司) (the “**Lending Agent**”), Xinrong Asset has advanced an entrusted loan of RMB40 million to Shanghai Yintong for its working capital.

As Xinrong Asset is a connected person of our Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Entrusted Loan Agreement will constitute continuing connected transactions for our Company upon the Listing and will be subject to reporting, annual review and announcement requirements under Chapter 20 of the GEM Listing Rules.

Principal terms of the Entrusted Loan Agreement

Lender:	Xinrong Asset
Borrower:	Shanghai Yintong
Lending Agent:	China Construction Bank Corporation (中國建設銀行股份有限公司)
Principal amount:	RMB40 million, of which RMB20 million and RMB20 million were released by the Lending Agent to Shanghai Yintong on 19 June 2009 and 26 June 2009, respectively
Term:	Two years commencing from 19 June 2009 to 18 June 2011
Interest rate:	12% per annum, which shall be calculated and paid quarterly
Repayment:	RMB11 million shall be repayable on 18 June 2010 and RMB29 million shall be repayable at the expiry of the term of the entrusted loan As at the Latest Practicable Date, Shanghai Yintong had repaid RMB11 million under the Entrusted Loan Agreement
Usage:	The proceeds of the entrusted loan shall be applied by Shanghai Yintong as working capital
Collateral:	There is no collateral
Handling fee:	The Lending Agent charges a handling fee equal to 0.05% of the principal amount of the entrusted loan, which amounts to RMB16,000 and shall be paid by Shanghai Yintong

CONNECTED TRANSACTIONS

Historical transaction amounts

For the financial year ended 31 December 2009 and the seven months ended 31 July 2010, interest incurred by Shanghai Yintong to Xinrong Asset under the Entrusted Loan Agreement amounted to RMB2,284,000 and RMB2,049,000 respectively.

Proposed annual cap

We plan to repay the RMB29 million entrusted loan owed to Xinrong Asset under the Entrusted Loan Agreement by using the proceeds from the Placing by the end of 31 December 2010. Our Directors estimate that the annual amount of interest to be paid by Shanghai Yintong to Xinrong Asset under the Entrusted Loan Agreement for the year ending 31 December 2010 is RMB3.48 million.

The annual cap for the year ending 31 December 2010 is determined in accordance with the provisions under the Entrusted Loan Agreement by multiplying the outstanding principal amount (being RMB29 million) by the annual interest rate (being 12%) and number of months that will elapse till repayment. Our Directors consider that the annual cap for the year ending 31 December 2010 is fair and reasonable.

Confirmation from our Director and the Sole Sponsor

Our Directors and the Sole Sponsor confirm that the transactions contemplated under the Entrusted Loan Agreement are entered into in the ordinary and usual course of business of our Group, and the terms of such transactions, including the proposed annual cap, are on normal commercial terms, fair and reasonable and in the interests of our Group and the Shareholders as a whole.

Application for waiver

As the transactions contemplated under the Entrusted Loan Agreement will continue after the Listing and are of an ongoing nature, our Directors consider that strict compliance with the announcement requirement under Chapter 20 of the GEM Listing Rules would be unduly burdensome and impractical.

Accordingly, our Company has applied for, and has received from, the Stock Exchange a waiver from strict compliance with the announcement requirement as set out in Chapter 20 of the GEM Listing Rules for the transactions contemplated under the Entrusted Loan Agreement on the conditions that:

- (a) the annual cap for the transactions contemplated under the Entrusted Loan Agreement for the year ending 31 December 2010 shall not exceed RMB3.48 million; and
- (b) our Company will comply with Rules 20.35(1), 20.35(2), 20.37 to 20.40 of the GEM Listing Rules, and will re-comply with Rules 20.35(3) and 20.35(4) of the GEM Listing Rules if the annual cap set out above is exceeded, or when the Entrusted Loan Agreement is renewed or when there is a material change to the terms of the Entrusted Loan Agreement.

CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below are continuing connected transactions which will be exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Such transactions are undertaken on an arm's length basis and on normal commercial terms or terms more favourable to our Group where each or all of the percentage ratios (other than the profit ratio) of each of such transactions on an annual basis are less than 0.1% or less than 5% and the annual consideration is less than HK\$1 million.

Tenancy agreements with Jinhan Investment

Pursuant to a tenancy agreement dated 16 March 2009 and a supplemental agreement dated 10 February 2010, Jinhan Investment agreed to lease to Shanghai Yintong for an annual rent of RMB540,000 a property with an area of approximately 356 sq.m. situated at the eastern and southern portions of Level 35, Lucky Target Square, No. 500 Chengdu Road North, Huangpu District, Shanghai, the PRC. The tenancy agreement is for a term commencing on 16 March 2009 and expiring on 15 March 2011. Our Group occupied such property for office purpose.

Pursuant to a tenancy agreement dated 1 February 2010, Jinhan Investment agreed to lease to Lucky Consultants for an annual rent of RMB90,000 a property with an area of approximately 58 sq.m. situated at Level 35, Lucky Target Square, No. 500 Chengdu Road North, Huangpu District, Shanghai, the PRC. The tenancy agreement is for a term commencing on 1 February 2010 and expiring on 31 January 2011. Our Group occupied such property for office purpose.

Confirmation of our Directors and the Sole Sponsor

The annual rental of the above tenancy agreements is determined with reference to the prevailing market rent. BMI Appraisals Limited, an independent property valuer, has confirmed that the annual rental payable under the above tenancy agreements is comparable to the prevailing market rate and is fair and reasonable. Our Directors and the Sole Sponsor consider that the above tenancy agreements are entered into in the ordinary and usual course of business of our Group, on normal commercial terms, and are fair and reasonable and in the interests of our Group and the Shareholders as a whole.

FUTURE PLANS AND PROSPECTS

BUSINESS OBJECTIVE AND STRATEGIES

Our business objective is to become one of the leading short-term secured financing and related consultancy service providers in Shanghai, Zhejiang and Jiangsu Provinces. We plan to maintain and strengthen our market position in Shanghai and gradually expand our business into Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong.

We intend to achieve our business objective by adopting the following strategies:

1. Expand our secured financing sales network and develop our businesses in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong

We plan to develop our secured financing business in existing markets in Shanghai, Zhejiang and Jiangsu Provinces and to strengthen our market position by establishing branches in Shanghai, Zhejiang and Jiangsu Provinces within the next two years in order to increase our total number of offices and sales network. We also plan to actively seek other financing service opportunities including finance leases and expand our business into Hong Kong. We obtained the Money Lenders Licence on 21 January 2010 as required in accordance with the laws and regulations of Hong Kong and we aim to commence the money lending business in Hong Kong after the Listing.

2. Fulfil share capital requirement of Baokang Guarantee and to support our Group's short-term financing business

Baokang Guarantee will be our loan guarantee arm to carry out the loan guarantee business in Suzhou, the PRC. Since the loan guarantee business is to provide a guarantee on the amount of loan of a third party borrower from a commercial bank, the fees we charge are not as high as those we charge for secured financings. However, Baokang Guarantee, as a licensed loan guarantee provider, can provide loan guarantees of up to ten times of its registered capital according to the relevant rules and regulations of the PRC. As at the Latest Practicable Date, we had not commenced the loan guarantee business.

Given the foreign currency restrictions of the PRC and the lack of direct equity holding relationship with Shanghai Yintong, we cannot directly inject funds into Shanghai Yintong. Baokang Guarantee will, following the fulfillment of its share capital requirement, provide loans in an aggregate amount of RMB80 million to the equity holders of Shanghai Yintong, namely Jinhan Investment and Xinrong Asset, through an entrusted loan arrangement with authorised bank(s) in the PRC. Jinhan Investment and Xinrong Asset will then inject the borrowed funds into Shanghai Yintong so as to increase the registered capital of Shanghai Yintong from RMB40 million to RMB120 million for expansion of its pawn loans business. Please also refer to the section headed "History and Reorganisation – Structure Contracts – Summary of the Structure Contracts" of this prospectus.

Further, we plan to increase the funds that our Group's companies other than Shanghai Yintong may use in entrusted Loan operation. Prior to Shanghai Yintong obtains the necessary approval and complete the procedures for increasing its registered capital to RMB120 million, our Group plans to use RMB80 million as funding of entrusted loan of our Group's companies other than Shanghai Yintong which will be given by entrusted bank as required by our customers to banks for lending to customers at the customers' request.

FUTURE PLANS AND PROSPECTS

3. Repay the RMB29 million entrusted loan to Xinrong Asset

We plan to repay the RMB29 million entrusted loan owed to Xinrong Asset under the Entrusted Loan Agreement. Please refer to the section headed “Connected Transactions – Entrusted Loan Agreement” of this prospectus for details.

IMPLEMENTATION PLAN

In light of the business objective and future plans of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 31 December 2012. Investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the sub-section headed “Bases and assumptions” below. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” of this prospectus. Our Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Based on the current state of the short-term consumer finance industry, our Directors intend to carry out the following implementation plans:

1. Expand our secured financing sales network and develop our businesses in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong

From the Latest Practicable Date to 31 December 2010	For the period from 1 January 2011 to 30 June 2011	For the period from 1 July 2011 to 31 December 2011	For the period from 1 January 2012 to 30 June 2012	For the period from 1 July 2012 to 31 December 2012
<ul style="list-style-type: none"> - Complete feasibility studies on the markets in Zhejiang and Jiangsu Provinces and other financing service opportunity - Identify target locations to establish secured financing companies and seek for possible merger and acquisition opportunities 	<ul style="list-style-type: none"> - Expand the geographical coverage of our secured financing network, establish or acquire one or two mid-size secured financing companies in Zhejiang and/or Jiangsu Provinces through structure contracts arrangement through internal resources - Further expand the business portfolio of our secured financing operation - Commence our money lending business in Hong Kong 	<ul style="list-style-type: none"> - Establish or acquire one more mid-size secured financing companies in Zhejiang and/or Jiangsu Provinces through structure contracts arrangement through internal resources - Further expand the business portfolio of our secured financing companies through internal resources 	<ul style="list-style-type: none"> - Further diversify the nature of our secured financing services through internal resources 	<ul style="list-style-type: none"> - Further diversify the nature of our secured financing services through internal resources
HK\$30,000,000	HK\$69,400,000	Nil	Nil	Nil

FUTURE PLANS AND PROSPECTS

2. Fulfil share capital requirement of Baokang Guarantee and to support our Group's short-term financing business

From the Latest Practicable Date to 31 December 2010	For the period from 1 January 2011 to 30 June 2011	For the period from 1 July 2011 to 31 December 2011	For the period from 1 January 2012 to 30 June 2012	For the period from 1 July 2012 to 31 December 2012
<ul style="list-style-type: none"> - Establish public awareness through advertising and marketing activities - Continue staff recruitment - Set up the cooperation relationship with banks and potential customers - Apply HK\$115 million to fulfil share capital requirement of Baokang Guarantee, and afterwards arrange a RMB80 million entrusted loan be made to Jinhan Investment and Xinrong Asset for them to inject into Shanghai Yintong as registered capital - Baokang Guarantee commences its guarantee business - Increase the entrusted loan advanced to customers by our Group's companies other than Shanghai Yintong 	<ul style="list-style-type: none"> - Establish cooperation relationship with more banks and potential customers - Establish strategic alliance relationship via other channels such as SME Association - Complete and satisfy the registered capital requirement of Shanghai Yintong 	<ul style="list-style-type: none"> - Enhance the cooperation with banks, industry associations and potential customers 	<ul style="list-style-type: none"> - Enhance the cooperation with banks, industry associations and potential customers 	<ul style="list-style-type: none"> - Enhance the cooperation with banks, industry associations and potential customers
HK\$115,000,000	Nil	Nil	Nil	Nil

FUTURE PLANS AND PROSPECTS

3. Repay the RMB29 million entrusted loan to Xinrong Asset

From the Latest Practicable Date to 31 December 2010	For the period from 1 January 2011 to 30 June 2011	For the period from 1 July 2011 to 31 December 2011	For the period from 1 January 2012 to 30 June 2012	For the period from 1 July 2012 to 31 December 2012
- Repay the RMB29 million entrusted loan to Xinrong Asset	-	-	-	-
HK\$33,300,000	Nil	Nil	Nil	Nil

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- there will be no change in the effectiveness of the licences and permits obtained by us;
- we will continue to be able to renew all licences; and
- we will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placing will enhance our capital base and provide us with additional working capital to implement the future plans set out in the paragraph headed “Business Objective and Strategies” above.

FUTURE PLANS AND PROSPECTS

USE OF PROCEEDS

The net proceeds from the Placing based on the Placing Price of HK\$0.73 per Share (being the mid-point of the stated range of the Placing Price), before exercise of the Over-allotment Option, after deducting related expenses, are estimated to be approximately HK\$274.7 million. Our Directors presently intend that the net proceeds will be applied as follows:

	From the Latest Practicable Date to 31 December	For the six months ending				Total HK\$
	2010 HK\$	30 June 2011 HK\$	31 December 2011 HK\$	30 June 2012 HK\$	31 December 2012 HK\$	
Expand our secured financing sales network and develop our business in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong	30,000,000	69,400,000	-	-	-	99,400,000
Fulfil share capital requirement of Baokang Guarantee and to support our Group's short-term financing business	115,000,000	-	-	-	-	115,000,000
Repay the RMB29 million loan to Xinrong Asset	33,300,000	-	-	-	-	33,300,000
Net proceeds reserved for general working capital for our Group	27,000,000	-	-	-	-	27,000,000
Total net proceeds	205,300,000	69,400,000	Nil	Nil	Nil	274,700,000

The net proceeds from the issue of the Placing Shares will be fully utilised by June 2011 according to our current business plans. We will finance our remaining business plans as schedule up to 31 December 2012 from internal resources. Our Directors and the Sole Sponsor consider that the net proceeds from the issue of the Placing Shares of about HK\$274.7 million and our internal resources will be sufficient to finance our business plans as schedule up to the two years ending 31 December 2011 and 2012.

In the event that the Placing Price is set at the high-end and the low-end of the proposed Placing Price range, we will receive net proceeds of approximately HK\$293.5 million and HK\$254.9 million, after deducting related expenses, respectively. We will use the new proceeds based on the percentages disclosed above, regardless of whether our Shares are priced at the upper end or lower end of the proposed Placing Price and without taking into account the proceeds to be received upon exercise of the Over-allotment Option.

FUTURE PLANS AND PROSPECTS

The additional net proceeds that we would receive upon exercise of the Over-allotment Option in full are approximately HK\$42.3 million, after deducting related expenses, assuming a Placing Price of HK\$0.73 per Share, being the mid-point of the Placing Price range or approximately HK\$39.4 million, after deducting related expenses, assuming an Offer Price of HK\$0.68 per Share, being the lower end of the Placing Price range or approximately HK\$45.2 million, after deducting related expenses, assuming a Placing Price of HK0.78 per share, being the upper end of the Placing Price range. In the event the Over-allotment Option is exercised in full, we will apply HK\$30.0 million of the additional net proceeds we receive as working capital and the remaining balance as funding of our secured finance business.

The PRC Legal Adviser has advised that upon receiving approvals from SMCC and the Suzhou Industrial Zone Juangsu Provincial Management Committee (江蘇省蘇州工業園區管理委員會) and completing the relevant registration procedures after we have received the proceeds from the Placing, we are permitted by PRC law to invest our net proceeds from the Placing in the form of shareholder's loans to our PRC subsidiaries or contributions and/or increases to the registered capital of our PRC subsidiaries. The PRC Legal Adviser is of the view of that there is no legal impediment in obtaining such approvals.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

SOLE SPONSOR'S INTEREST

Save as disclosed in this prospectus; and for the advisory and documentation fees to be paid to China Everbright as the Sole Sponsor to the Placing, for fee to be paid to China Everbright as our Company's compliance adviser and for fee to be paid to China Everbright Securities for its obligations under the Underwriting Agreement and any interest in securities that may be subscribed by it and/or its associates pursuant to the Placing, neither China Everbright, China Everbright Securities nor any of its associates has or may, as a result of the Placing, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of China Everbright who is involved in providing advice to our Company has or, as a result of the Placing, may have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interest in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of China Everbright has a directorship in our Company or any other company in our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth information regarding members of our Board:

Name	Age	Position
Mr. Shi Zhi Jun (石志軍)	54	Chairman and Executive Director
Mr. Ji Zu Guang (計祖光)	53	Executive Director
Ms. Shen Li (沈勵)	37	Executive Director and Chief Executive Officer
Mr. Neo Poh Kiat (梁宝吉)	59	Independent Non-executive Director
Dr. Lau Reimer Mary Jean (劉翁靜晶)	46	Independent Non-executive Director
Mr. Lee Sze Wai (李思衛)	41	Independent Non-executive Director

Executive Directors

Mr. Shi Zhi Jun (石志軍), aged 54, is one of the founders of our Group and the Chairman of our Company. He was appointed as an executive Director on 4 January 2010. Mr. Shi was trained in the senior doctor-in-charge advanced studies in Shanghai TV University (上海電視大學) and Shanghai Jiao Tong University (上海交通大學) (formerly known as Shanghai No. 2 Medicine University (上海第二醫科大學)). In 2007, Mr. Shi received his Master's degree in advanced business management from the Nanyang Technological University of Singapore. Mr. Shi became a surgeon when he was at the age of 20 and practised as a surgeon until 1998. In 1998, in order to achieve a better income, he pursued his career in property financing and provided combined financing consultancy and property agency services where he gained over 11 years of experience in the industry. In 2003, Mr. Shi established Shanghai Yintong and was appointed as its chairman in July 2004. Under the leadership of the management team of Shanghai Yintong with Mr. Shi as the core member, Shanghai Yintong extended its business and became a provider of unique short-term financing services targeting the Zhejiang and Jiangsu Provinces with a focus in Shanghai, the PRC. From 1992 to 1996, Mr. Shi was accredited as "Shanghai Outstanding Young Doctor" (上海市優秀青年醫師獎), "Top Ten in Science" (十佳科技獎) and "Spiritual Civilization Model (精神文明標兵獎)" "Top Ten Young Person in Science" (十佳科技青年) for two years consecutively by Xuhui District, Shanghai, the PRC.

Mr. Shi is deemed to be interested in 610,000,000 Shares upon Listing under the SFO by virtue of him being the sole beneficial owner of Kaiser Capital immediately and being granted an option under the Pre-IPO Share Option Scheme to subscribe for 16,000,000 Shares.

Mr. Ji Zu Guang (計祖光), aged 53, is one of the founders of our Group. He was appointed as an executive Director on 4 January 2010. Mr. Ji is currently responsible for human resources management and legal compliance aspects of our Group. Mr. Ji participated in the establishment of Jinhan Investment (through which our Group was formed in 2003) in 2000. Mr. Ji graduated from the Party School of the Central Committee of C.P.C (中共中央黨校) in 1992 majoring in economic management. In 2006, Mr. Ji received his Master's degree in advanced business management from the Nanyang Technological University of Singapore. From 1992 to 2000, he served as secretary and engineer of the Shanghai Postal, Telephone and Communication Bureau (上海市郵電管理局) respectively. Since 2000, Mr. Ji served as the deputy general manager of LT International Holdings Ltd. (峻嶺國際集團有限公司) where he was mainly responsible for the overall operation of property development projects and gained over 3 years of experience in the property development industry. In 2003, he participated in the establishment of Shanghai Yintong and has since gained around 6 years of experience in the secured financing industry.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ji is deemed to be interested in 16,000,000 Shares upon Listing under the SFO by virtue of him being granted an option under the Pre-IPO Share Option Scheme to subscribe for 16,000,000 Shares.

Ms. Shen Li (沈勵), aged 37, was appointed as an executive Director on 4 January 2010. Ms. Shen is the Chief Executive Officer of our Company and is responsible for the operation and management of our Group. She joined our Group in January 2009 as our deputy general manager. Ms. Shen obtained her Bachelor's degree in Computer and Finance from International Business School of Shanghai University (上海大學國際商學院) in 1995. She possessed the qualification of registered accountant of the PRC and is a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Ms. Shen had worked at Price Waterhouse Da Hua CPAs, General Motors (China) Investment Co. Ltd. and had been the controller of Asia Operation of Chrysler Asia Operations. She has about 15 years of experience in finance.

Ms. Shen is deemed to be interested in 16,000,000 Shares upon Listing under the SFO by virtue of her being granted an option under the Pre-IPO Share Option Scheme to subscribe for 16,000,000 Shares.

Independent Non-executive Directors

Mr. Neo Poh Kiat (梁宝吉), aged 59, was appointed as an independent non-executive Director on 4 November 2010. Mr. Neo obtained a Bachelor of Commerce (Honours) degree from Nanyang University, Singapore in 1973. Mr. Neo has extensive experience in the banking industry for over 30 years. He is currently the managing director of Octagon Advisors Pte. Ltd., a financial advisory firm in Singapore. Between 1976 and 1994, Mr. Neo took up various positions in DBS Bank Group including executive director of DBS Securities HK Limited and DBS Securities Holding Pte Ltd. During 1994 – 1996, he took up the position of general manager in Sino Land Company Limited. During 1996 – 2001, he returned to DBS Bank Group and held senior management positions including managing director at DBS Asia Capital Limited, and general manager at DBS Hong Kong Branch. During 2001 – 2004, Mr. Neo served as the Country Officer, China and Head, Corporate Banking, Greater China in United Overseas Bank. Since 2005, he has also held the office of an independent director of China Yuchai International Limited, common stocks of which are listed on the New York Stock Exchange. Mr. Neo has not provided any professional services to our Group during the Track Record Period.

Dr. Lau Reimer Mary Jean (劉翁靜晶), aged 46, was appointed as an independent non-executive Director on 4 November 2010. Dr. Lau received her Master of Laws from the University of Hong Kong in 2001 and her Doctorate degree in civil and commercial law from The China University of Political Science and Law in 2006. Dr. Lau is admitted as solicitor in Hong Kong and England and Wales and has over 8 years of post-qualification legal experience. She is currently a partner of Reimer & Partners. Dr. Lau is the Honourable Treasurer of The University of Hong Kong SPACE Alumni Association, committee member of Youth Criminal Study Trust and legal adviser of a number of organizations and associations. Dr. Lau has not provided any professional services to our Group during the Track Record Period.

Mr. Lee Sze Wai (李思衛), aged 41, was appointed as an independent non-executive Director on 4 November 2010. Mr. Lee received his Bachelor of Commence degree from University of Wollongong in Australia in 1992. He is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia, and has more than 18 years of experience in accounting and finance. Mr. Lee worked at Ernst & Young from 1992 to 2000 and was the chief financial officer of EHOO.NET Technologies Investment Corporation, Fittec Electronics Co. Ltd., a subsidiary of Fittec International Group Limited, a company listed on the Stock Exchange (Stock Code: 2662), New Paramount Holdings Ltd. and Vitop

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Bioenergy Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1178) during 2000 – 2001, 2001 – 2003, 2003 – 2004, and 2005 – 2006, respectively. Since February 2006, he has been the director of Winful Capital Limited. Mr. Lee has not provided any professional services to our Group during the Track Record Period.

Save as disclosed above, as at the Latest Practicable Date (i) each of our Directors had no interests in the Shares within the meaning of Part XV of the SFO; (ii) each of our Directors was independent from and not related to any other Directors, senior management, Substantial Shareholders or Controlling Shareholders of our Company, and had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iii) there was no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(a) to 17.50(2)(x) of the GEM Listing Rules nor were there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment as a Director.

SENIOR MANAGEMENT

Ms. Ma Rong Yu (馬榮玉), aged 40, our chief business supervisor, is responsible for market development, sales, and preliminary approval and management of projects. She joined our Group in October 2004, and has improved and completed our operation procedures and model, developed a number of customers and participated in risk management of our Group. Ms. Ma graduated from Finance Department of Henan College of Finance and Taxation (河南財政稅務高等專科學校) in 1991 and from Distance Learning School of the Party School of the Central Committee of C.P.C (中共中央黨校) majoring in economic management in 2002. She had worked at the finance department, credit department, loan approval department and asset preservation department of China Construction Bank prior to joining our Group where she gained extensive experience in the banking and finance industry.

Ms. Jing Cheng Juan (景成娟), aged 37, our financial controller, is responsible for audit work and finance management of our Group. Ms. Jing graduated from Hubei University (湖北大學) majoring in finance management in 1994. She joined our Group in July 2002 and was appointed the head of finance department in August 2003 and has been working for the Group for over seven years.

Mr. Sun Zhen Dong (孫振東), aged 43, our chief legal counsel, is responsible for legal work of our Group. Mr. Sun received his Bachelor of Arts degree from Liaocheng Education College (聊城師範學院) in 1989 and Master's degree in law from East China University of Political Science and Law (華東政法大學) in 1992. Mr. Sun is a qualified PRC legal professional, who joined our Group in June 2003 as a chief legal counsel and has been with us for over six years.

Mr. Ding Lu (丁璐), aged 38, is a director of Shanghai Yintong and a member of its loan approval committee. Mr. Ding is responsible for the government related affairs, including coordination among various government authorities, and the assessment and approval of loans of Shanghai Yintong. Mr. Ding graduated from the Beijing University of Aeronautics and Astronautics (北京航空航天大學) with a major in management engineering in 1995. From 1995 to 2000, he worked as an assistant to chairman at the Shanghai International Art Centre Co., Ltd. (上海國際藝術中心有限公司) where he was mainly responsible for its daily operations. From 2001 to 2003, he was employed by Jinhan Investment as an assistant to director. Mr. Ding joined our Group in 2003 as a director of Shanghai Yintong and has since gained over 6 years of experience in the secured financing industry.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY

Ms. So Ka Man (蘇嘉敏), aged 36, was appointed as the company secretary of our Company on 9 February 2010. She is a manager of corporate services at Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. So does not work for our Company on a full-time basis. Ms. So is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom. She has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many listed companies for about 10 years. As at the Latest Practicable Date, Ms. So had not been appointed as director or company secretary of any other listed companies.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries in relation to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for the provision of services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group. After the Listing, our Directors and senior management may also receive options to be granted under the Post-IPO Share Option Scheme.

OUR GROUP'S RELATIONSHIP WITH STAFF

We recognise the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances.

HUMAN RESOURCES

As at the Latest Practicable Date, we had approximately 27 employees, all of whom are located in the PRC and Hong Kong. The following table shows a breakdown of our employees by function as at the Latest Practicable Date:

Functions	PRC
Management	6
Finance, administration legal and human resources	10
Sales and marketing	11
	<hr/>
Total	27

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We consider our highly experienced employees to be a key factor in our business success. During the Track Record Period, we have not experienced any significant difficulties in recruiting our employees, and have not experienced any significant staff turnover or labor disputes. We believe that our employee relations are satisfactory in general.

We participate in the PRC government-sponsored social security system as required under the relevant PRC laws and regulations. The social security system in the PRC includes retirement, work injury, medical care, unemployment and other insurance coverage for our employees.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 4 November 2010 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. At present, the audit committee of our Company consists of three members who are Mr. Neo Poh Kiat (梁宝吉), Dr. Lau Reimer Mary Jean (劉翁靜晶) and Mr. Lee Sze Wai (李思衛). Mr. Lee Sze Wai (李思衛) is the chairperson of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 4 November 2010 with written terms of reference in compliance with paragraph B1.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. Neo Poh Kiat (梁宝吉), Dr. Lau Reimer Mary Jean (劉翁靜晶) and Mr. Lee Sze Wai (李思衛). Mr. Neo Poh Kiat (梁宝吉) is the chairperson of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 4 November 2010 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination committee consists of three members, namely Mr. Neo Poh Kiat (梁宝吉), Dr. Lau Reimer Mary Jean (劉翁靜晶) and Mr. Lee Sze Wai (李思衛). Dr. Lau Reimer Mary Jean (劉翁靜晶) is the chairperson of the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed China Everbright to be the compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. The compliance adviser will advise our Company on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. The material terms of the compliance adviser's agreement entered into between our Company and the compliance adviser are as follows:

- (i) the compliance adviser's appointment is for a period commencing on 1 November 2010 and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the date of the Listing, i.e. 31 March 2013, or until the agreement is terminated, whichever is earlier;
- (ii) the compliance adviser shall provide our Company with guidance and advice as to compliance with the requirements under the GEM Listing Rules, various rules and regulations of the SFC and applicable laws, rules, codes and guidelines;
- (iii) our Company agrees to indemnify the compliance adviser against all actions, claims and proceedings from time to time made against, and all losses and damage suffered and all payments, costs and expenses properly and reasonably made or incurred by the compliance adviser arising out of or in connection with the lawful and proper performance by the compliance adviser of its duties under the agreement, any material breach or alleged breach on the part of our Company of our obligations under the agreement and any failure by our Company, our Directors, our authorised representatives, officers or agents to follow the advice from the compliance adviser, resulting in the non-compliance with the GEM Listing Rules and other applicable laws regulations and codes, provided that this indemnity shall not apply to any action or loss which is finally judicially determined to have been caused by, or to the extent of, the willful default, fraud or gross negligence on the part of the compliance adviser; and
- (iv) our Company shall have the right, without compensation to terminate the appointment of the compliance adviser under the agreement if, among others, the compliance adviser's work is of an unacceptable standard or where the compliance adviser commits any serious and/or persistent material breach of its obligations under the agreement which is not remedied within 30 days from the date of the written request served by our Company requiring that the breach complained of be remedied. The compliance adviser shall have the right to terminate the agreement with one month prior notice in writing to our Company if, among others, our company commits a material breach of any of our obligations under the agreement which is not remedied within 30 days from the date of the written request served by the compliance adviser requiring that the breach complained of be remedied.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Placing and the Capitalisation Issue (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

(i) **Our Company**

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Kaiser Capital	Beneficial owner	594,000,000	37.13%
Mr. Shi	Interest in a controlled corporation	594,000,000 ⁽¹⁾	37.13%
	Beneficial owner	16,000,000 ⁽²⁾	1.00%
		610,000,000	38.13%
Jiefang Media	Beneficial owner	486,000,000	30.38%
Xinhua Publishing	Interest in a controlled corporation	486,000,000 ⁽³⁾	30.38%
Jiefang Group	Interest in a controlled corporation	486,000,000 ⁽³⁾	30.38%
Greenland Group	Interest in a controlled corporation	486,000,000 ⁽³⁾	30.38%
Integrated Asset	Beneficial Owner	120,000,000	7.50%
Mr. Yam	Interest in a controlled corporation	120,000,000 ⁽⁴⁾	7.50%

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

(ii) **Shanghai Yintong**

Name	Capacity/Nature of Interest	Equity Interest	Approximate Percentage of Equity Interest
Jinhan Investment	Beneficial owner	RMB22 million	55.00%
Mr. Shi	Interest in a controlled corporation	RMB22 million ⁽⁵⁾	55.00%
Xinrong Asset	Beneficial owner	RMB18 million	45.00%
Xinhua Publishing	Interest in a controlled corporation	RMB18 million ⁽⁶⁾	45.00%
Jiefang Group	Interest in a controlled corporation	RMB18 million ⁽⁶⁾	45.00%
Greenland Group	Interest in a controlled corporation	RMB18 million ⁽⁶⁾	45.00%

Notes:

- (1) Mr. Shi is the sole beneficial owner of Kaiser Capital and hence is deemed to be interested in all the Shares held by Kaiser Capital under the SFO.
- (2) These present Shares to be issued and allotted by our Company upon exercise of options granted by our Company under the Pre-IPO Share Option Scheme.
- (3) Jiefang Media is wholly-owned by Xinhua Publishing, which is in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing is deemed to be interested in all the Shares held by Jiefang Media, and each of Jiefang Group and Greenland Group is deemed to be interested in all the Shares held by Jiefang Media through Xinhua Publishing.
- (4) Mr. Yam is the sole beneficial owner of Integrated Asset and hence is deemed to be interested in all the Shares held by Integrated Asset under the SFO.
- (5) Mr. Shi is the sole beneficial owner of Jinhan Investment and hence is deemed to be interested in all the equity interest held by Jinhan Investment under the SFO.
- (6) Xinrong Asset is wholly-owned by Xinhua Publishing, which is in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing is deemed to be interested in all equity interest held by Xinrong Asset, and each of Jiefang Group and Greenland Group is deemed to be interested in all the equity interest held by Xinrong Asset through Xinhua Publishing.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Placing and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, save for the persons disclosed under the paragraphs headed “Substantial Shareholders” in this section, no persons individually and/or collectively will, immediately following completion of the Placing and the Capitalisation Issue (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), be directly or indirectly interested in 5% or more of the voting power at the general meetings of our Company and are therefore regarded as significant Shareholders under the GEM Listing Rules.

UNDERTAKINGS

Each of Mr. Shi and Kaiser Capital has given certain undertakings in respect of the Shares to our Company, the Sole Sponsor, the Sole Lead Manager (on behalf of the Underwriters) and the Stock Exchange, details of which are set out under the section headed “Underwriting – Undertakings” of this prospectus. Each of the Controlling Shareholders has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Placing, Kaiser Capital and the Sole Lead Manager entered into a stock borrowing agreement dated 15 November 2010. For details, please refer to the section headed “Structure of the Placing – Stock Borrowing” in this prospectus.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Placing and the Capitalisation Issue (without taking into account Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), Kaiser Capital, Mr. Shi, Jiefang Media, Xinhua Publishing, Greenland Group and Jiefang Group will be our Controlling Shareholders (within the meaning of the GEM Listing Rules) interested or deemed to be interested in approximately 37.13%, 37.13%, 30.38%, 30.38%, 30.38% and 30.38%, respectively of the Shares. Save and except for their respective interests in our Company and our subsidiaries, none of the Controlling Shareholders nor any of their respective associates had interests in any other companies as at the Latest Practicable Date which held interests in our business during the Track Record Period and ceased to hold such interests after the Corporate Reorganisation.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in the section headed “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the Placing.

Management Independence

Our Board comprises three executive Directors and three independent non-executive Directors. One of our executive Directors, Mr. Shi, is the sole director and beneficial owner of Kaiser Capital. Save as disclosed above, no other Controlling Shareholders hold any directorship in our Company.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Placing.

Operational Independence

We have established our own set of organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group has independent access to customers for our secured financing business. We have also established a set of internal controls to facilitate the effective operation of our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Financial Independence

Our Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to our Group's own business needs.

As disclosed and set out in the section headed "Future Plans and Prospect – Use of Proceeds", apart from employing the proceeds from the Placing to develop our business, we plan to use a portion of the proceeds from the Placing to repay the entrusted loan for RMB29 million from Xinrong Asset in full by the end of 2010. Taking into account our Group's internal resources and the estimated net proceeds from the Placing, our Directors believe that our Group will still have sufficient capital for our requirements without reliance on Xinrong Asset. Our Directors also believe that by leveraging on our listing status after the Placing, our Group would be able to obtain third party financing at reasonable terms in accordance with our business needs.

Our Directors consider that our Group's ability to operate as a going concern is not dependent on continuing financial support provided by Xinrong Asset. Prior to our obtaining a deposit for the purchase of forfeited collateral and entrusted loan from Xinrong Asset in 2009, we financed our operation principally through capital contributions from shareholders, bank borrowings and internally generated funds, and had achieved considerable development and success in our business as evidenced by our profitable results for the year ended 31 December 2008. In view of the success in our business operation and increasing demand for short term financing in the PRC, in January 2009 Xinhua Publishing through Xinrong Asset invested in our Group and subsequently Xinrong Asset offered to obtain priority right in purchasing our forfeited collateral by the payment of deposit. Our Directors consider that had it not been for Xinrong Asset providing such deposit and entrusted loan to us, our Group could still operate independently as prior thereto.

Analogous with other players in the financing industry, our revenue directly correlates with the amount of funding available for lending to customers. As at 31 December 2009, deposit and entrusted loan received from Xinrong Asset amounted to RMB77 million and RMB29 million respectively. As at 31 July 2010, deposit and entrusted loan received from Xinrong Asset amounted to RMB136 million and RMB29 million respectively. Without Xinrong Asset's support and assuming we could not obtain other sources of funding, we may not be able to attain the current size of business and profit.

During the Track Record Period, other than the deposit received from Xinrong Asset, we have received the deposit for the amount of RMB73.08 million from an Independent Third Party for the purchase of our forfeited collateral. From time to time, Independent Third Parties offered to pay a deposit to us for obtaining priority right in purchasing our forfeited collateral. On 18 October 2010, 19 October 2010 and 19 October 2010, respectively, Shanghai Yintong entered into cooperation framework agreements with three Independent Third Parties for the sale and purchase of our forfeited collateral for a term of three years with no provisions that allow early termination. Save for the amount of deposit to be paid by these Independent Third Parties from time to time shall not exceed RMB100 million, RMB100 million and RMB50 million respectively, the material terms and conditions of our cooperation with these Independent Third Parties are largely same as our cooperation with Xinrong Asset under the Cooperation Framework Agreement. Two of these Independent Third Parties are privately-owned enterprises and the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

other is a state-controlled enterprise established in the PRC. The PRC Legal Adviser has advised that these cooperation framework agreements are legal, valid and enforceable under the PRC laws. In the event Xinrong Asset is not able or not willing to provide deposit to purchase our forfeited collateral, our Directors are of the view that we are able to cooperate with and obtain deposit from other Independent Third Parties by offering them priority right in purchasing our forfeited collateral.

COMPETITION

Xinhua Publishing and Xinrong Asset, whose principal business is not providing financing services, had made use of their respective idle cash to advance loans to third parties through entrusted loan arrangements during the Track Record Period, as the interest income derived therefrom could allow them to have a relatively higher return for their respective idle fund. Save and except for the foregoing and for interests in our Group, none of the Controlling Shareholders nor their respective associates had interests in any other companies as at the Latest Practicable Date which may, directly or indirectly, compete with our Group's business.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders has given a non-competition undertaking in favor of our Company, pursuant to which each of the Controlling Shareholders undertakes and covenants with our Company (for ourselves and as trustee of our subsidiaries) that, for so long as he/it and/or his/its associates, directly or indirectly, whether individually or taken together, remain to be the Controlling Shareholder, he/it will not and will procure his/its associates (excluding any members of our Group) not to directly or indirectly (whether as an investor, shareholder, partner, agent or otherwise or whether for profit, reward or otherwise) carry on, participate, engage or otherwise be interested in any business which is or may be in competition with the business of any members of our Group (the "**Restricted Business**") from time to time. Such non-competition undertaking does not apply to:

- (1) the holding of shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (2) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of the Controlling Shareholder and his/its associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;
- (3) the contracts and other agreements entered into between our Group and the Controlling Shareholder and/or his/its associates; and
- (4) the involvement, participation or engagement of the Controlling Shareholder and/or his/its associates in a Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by the independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions the independent non-executive Directors may require to be imposed.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The non-competition undertaking will cease to have effect upon the earliest of the date on which (i) our Company becomes wholly-owned by the Controlling Shareholder and/or his/its associates (whether individually or collectively); or (ii) the securities of our Company cease to be listed on the Stock Exchange or any other stock exchange.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen our corporate governance practice and to safeguard the interests of the Shareholders:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;
- (2) our independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by the Controlling Shareholders;
- (3) the Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertaking;
- (4) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Controlling Shareholders in the annual reports of our Company;
- (5) the Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of our Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its associates to involve or participate in a Restricted Business and if so, any condition to be imposed;
- (7) with respect to the Structure Contracts, the independent non-executive Directors will be entirely responsible for deciding whether or not to exercise the option to acquire any or all of the equity interests in and/or assets of Shanghai Yintong from Jinhan Investment and/or Xinrong Asset (the “**Option**”). None of the Directors (except the independent non-executive Directors) and the Shareholders will decide on whether or not to exercise the Option. In making their decision, the independent non-executive Directors will take into account the following parameters: (i) any restriction under the applicable laws, rules and regulations, (ii) the costs and risks involved, (iii) the benefits expected to be brought to our Group and the Shareholders as a whole, (iv) possible compliance issues, and (v) other factors which the independent non-executive Directors may consider relevant;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (8) the independent non-executive Directors will also disclose decisions relating to the exercise or non-exercise of the Option in the annual report of our Company; and
- (9) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or the Structure Contracts at the cost of our Company.

Further, any transaction that is proposed between our Group and the Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders inter se and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With our corporate governance measures including the measures set out in the paragraph headed "Corporate Governance Measures" above, our Directors believe that the interest of our Shareholders will be protected.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

<i>Authorised:</i>		<i>HK\$</i>
20,000,000,000	Shares	2,000,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
200	Shares in issue	20
1,199,999,800	Shares to be issued under the Capitalisation Issue	119,999,980
400,000,000	Shares to be issued under the Placing (before any exercise of the Over-allotment Option)	40,000,000
<hr/>		<hr/>
<u>1,600,000,000</u>	<u>Shares</u>	<u>160,000,000</u>

ASSUMPTIONS

The above table assumes the Placing and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares referred to in the paragraph headed “General Mandate to Issue Shares” or the paragraph headed “General Mandate to Repurchase Shares” below, as the case may be.

RANKING

The Placing Shares will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

THE PRE-IPO SHARE OPTION SCHEME AND THE POST-IPO SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. Under the Pre-IPO Share Option Scheme, certain persons were conditionally granted options on 4 November 2010 to subscribe for Shares. The principal terms of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are summarised in the section headed “Statutory and General Information – Other Information – Share Option Schemes” in Appendix VI to this prospectus.

SHARE CAPITAL

Assuming that all options granted under the Pre-IPO Share Option Scheme had been exercised in full on 1 January 2009 and 1,664,000,000 Shares to be in issue immediately after the Placing had been in issue throughout the year ended 31 December 2009, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Post-IPO Share Option Scheme, the pro forma earnings per Share for the year ended 31 December 2009 would be diluted from approximately RMB0.97 cents to approximately RMB0.93 cents. The calculation has been prepared on the assumption that we will not receive any proceeds from the exercise of any options granted under the Pre-IPO Share Option Scheme, and without taking into account the impact of fair value of the Shares on computation of the number of potentially dilutive Shares and the impact of the fair value of the options granted under the Pre-IPO Share Option Scheme on the profit for the year ended 31 December 2009.

The options granted under the Pre-IPO Share Option Scheme, with a vesting period ranging from 6 to 18 months from the grant date, may be exercised within five years from the Listing Date. The financial impact on the options granted under the Pre-IPO Share Option Scheme, which represents our expense will be reflected in our Company's financial statements for the two financial years starting from the date of grant of the options. The Directors estimate that the amount to be charged in relation to the options granted under the Pre-IPO Share Option Scheme will be approximately HK\$27.1 million which is based on the mid-point of the indicative Placing Price.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been conditionally granted a general and unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not exceeding the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting;
- at the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

SHARE CAPITAL

For further details of this general mandate, see the section headed “Statutory and General Information – Further information about our Group – Resolutions in writing of the Shareholders” in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been conditionally granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

- at the conclusion of our Company’s next annual general meeting;
- at the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this repurchase mandate, see the section headed “Statutory and General Information – Further information about our Group – Resolutions in writing of the Shareholders” in Appendix VI to this prospectus.

FINANCIAL INFORMATION

The following discussion of the financial condition and results of operations of our Company should be read in conjunction with our Company's audited consolidated financial information as of and for each of the two years ended 31 December 2009 and the seven months ended 31 July 2010, including the notes thereto, included in Appendix I to this prospectus. The financial statements have been prepared in accordance with the HKFRS. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Company's future results could differ materially from those discussed below as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We specialize in providing short-term secured financing and related consultancy services in Shanghai. Please refer to the section headed "Business" in this prospectus for further details.

Our turnover for the two years ended 31 December 2009 and the seven months ended 31 July 2010 were approximately RMB12.39 million, RMB30.45 million and RMB53.59 million, respectively. Our net profits for the two years ended 31 December 2009 and the seven months ended 31 July 2010 were approximately RMB6.20 million, RMB15.55 million and RMB31.17 million, respectively.

BASIS OF PRESENTATION

The Group's financial information has been prepared as a combination of businesses under common control. The Group's financial information presents its results of operations as if it had been in existence in current form as at 1 January 2008. Although the Company is not the equity holder of Shanghai Yintong, the Company, through Lucky Consultants, ultimately and effectively controls and manages the financial and operating activities of Shanghai Yintong through the Structure Contracts. Taking into account that (i) Lucky Consultants is entitled to substantially all of the operating profit generated by Shanghai Yintong; and (ii) Shanghai Yintong is, in essence, controlled and managed by Lucky Consultants under the Structure Contracts, the Company regards Shanghai Yintong as its direct subsidiary, notwithstanding the lack of equity ownership.

As the Group (excluding Shanghai Yintong) and Shanghai Yintong were ultimately controlled by the same group of parties before and after the formation of the Group, the financial information is thereby prepared as if the current group structure had been in existence throughout the Track Record Period. Our consolidated statements of financial position as at 31 December 2008, 2009 and 31 July 2010, as set out in Appendix I to this prospectus, have been prepared to present the state of affairs of the companies of which we are comprised as of those dates, as if the current group structure had been in existence as of the respective dates.

The Accountants' Report, as included as Appendix I to this prospectus, has been prepared in accordance with HKFRSs promulgated by the HKICPA, the disclosure requirements of the Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

In the opinion of the Reporting Accountants, for the purpose of the Accountants' Report and on the basis of preparation set out in the Accountants' Report, the Financial Information gives a true and fair view of the Group's consolidated results, consolidated changes in equity and consolidated cash flows for the Track Record Periods, and of the Group's consolidated state of affairs as at 31 December 2008 and 2009 and 31 July 2010.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Source of funding

The size of our pawn loan operation is directly restricted by the size of our registered capital in accordance with the Pawning Measures. Given the registered capital of Shanghai Yintong was RMB40 million as at the Latest Practicable Date, the Pawning Measures restrict a single outstanding real-estate pawn loan made by Shanghai Yintong to be RMB4 million (i.e. 10% of its existing registered capital). However, Shanghai Yintong is allowed to make multiple loans of the same kind to one customer with the outstanding balance not more than RMB10 million (i.e. 25% of its existing registered capital). The total outstanding amount owing in respect of real estate mortgaged by customers must not exceed 100% of the registered capital of a pawnshop. The size of our entrusted loan, loan guarantee and consultancy business is not subject to any regulatory threshold. However, our operations are also directly restricted by the size of our funding. Our Directors believe through a combination of capital contributions from shareholders, amount received from Xinrong Asset and other enterprises as deposit and part payment of the purchase price of secured loans advanced by Shanghai Yintong to its customers and its collateral when the secured loans are in default and borrowings from banks, we can increase the total outstanding loan amount and thereby enabling us to expand our customer base through an increase in outstanding loan transactions. The source of funding together with the size of registered capital is likely to have a significant impact on our results of operations.

Expansions of operation

The scale of our short-term secured financing operation is determined substantially by the size of the registered capital (for pawn loan), size of funding and the licensed location. Presently, we have obtained licence permitting us to operate pawn loan business in Shanghai only. In addition to raising the size of our registered capital, our Directors believe we can maximize the utilisation rate of our resources by exploring and expanding into other short-term financing services including: loan guarantee and finance lease in Shanghai; entrusted loan, financial consultancy and loan guarantee in Shanghai, Zhejiang and Jiangsu Provinces; and money lending business in Hong Kong. Our expansion of operations will provide us with greater business opportunities and have a significant impact on our results of operations.

Economic environment

The focus of our operation is on SME and individual customers. Any change in the global or regional economy, including PBOC interest rates and monetary policies of the PRC, is likely to have an impact on the need of funding from our customers. In addition to fluctuations in the economic environment, the needs of short-term financing can also be seasonal as businesses and individuals typically require extra liquidity towards the end of the year and the Chinese New Year, for example. The results of our operations are likely to reflect the short-term financing needs of our customers over different periods of the year.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the carrying amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following sets out certain accounting policies that our management considers to be critical in the our financial position and results of operations:

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as 'Other assets'.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

FINANCIAL INFORMATION

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Track Record Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including loan receivables, other receivables, amount due from a subsidiary and bank balance and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For certain categories of financial asset, such as loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, including accruals and other payables, deposits received, amount due to a controlling shareholder, amount due to a related party, borrowings and dividends payable, are subsequently measured at the amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deduced directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

FINANCIAL INFORMATION

DESCRIPTIONS OF SELECTED INCOME STATEMENT LINE ITEMS

Turnover

Our turnover is mainly derived from our real estate pawn loans service, entrusted loans service and financial consultancy service. We also generate income from our personal property pawn loans service, but the income generated from this business was less significant. The following table sets out our Group's turnover breakdown by category during the Track Record Period:

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Interest income				
Real estate pawn loans service income				
– Administration fee income ⁽¹⁾	8,797	19,282	5,786	4,466
– Interest income ⁽²⁾	2,183	9,983	1,982	668
Entrusted loans service income				
– Administration fee income ⁽¹⁾	–	58	–	4,996
– Interest income ⁽²⁾	–	107	–	14,914
Personal property pawn loans service income				
– Administration fee income ⁽¹⁾	281	164	99	76
– Interest income ⁽²⁾	26	18	10	7
	<u>11,287</u>	<u>29,612</u>	<u>7,877</u>	<u>25,127</u>
Financial consultancy service income⁽³⁾	<u>1,098</u>	<u>834</u>	<u>389</u>	<u>28,465</u>
Turnover	<u><u>12,385</u></u>	<u><u>30,446</u></u>	<u><u>8,266</u></u>	<u><u>53,592</u></u>

Notes:

- (1) Calculated based on the administration fee collected as stipulated under the loan contracts including renewed loans carried over from the previous year.
- (2) Calculated based on the interest collected as stipulated under the loan contracts including renewed loans carried over from the previous year.
- (3) Calculated based on the financial service fee collected by Lucky Consultants as stipulated under the financial service contracts including renewed loans carried over from the previous year.

Other Income

Other income comprises mainly rental income from sub-lease of a portion of the premises leased by the Group from an Independent Third Party to two Independent Third Parties, government grants, net gain on disposal of collateral after default of loan repayment and bank interest income.

Administrative and other operating expenses

Administrative and other operating expenses mainly comprise staff salaries and benefits, rental expenses, depreciation of fixed assets, selling and distribution expenses, professional fees and other administrative expenses. The salaries and wages, bonuses and benefits increased significantly in 2009 as we employed Ms. Shen Li as vice president of Shanghai Yintong in January 2009.

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The following table sets forth the amounts of the components of our administrative and other operating expenses for the period indicated:

	Year ended 2008 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>	Seven months ended 31 July 2009 <i>RMB'000</i> (unaudited)	
			2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Administrative and other operating expenses				
Director's remuneration	212	294	153	1,222
Depreciation	472	281	188	96
Legal and professional	223	613	237	3,766
Office expense	211	407	298	188
Other taxes	245	252	39	52
Rent and rates	1,487	2,095	1,174	1,799
Salaries and wages, bonuses and benefits	1,083	2,544	1,482	2,115
Referral expenses	–	275	–	556
Traveling expenses	259	379	130	278
Selling and distribution expenses	351	685	406	35
Others	490	780	527	569
	5,033	8,605	4,634	10,676
	5,033	8,605	4,634	10,676

Income tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, our Group is not subject to any income tax in the Cayman Islands and BVI.

No provision for Hong Kong profits tax has been made for the subsidiaries established in Hong Kong, as these subsidiaries did not have assessable profits subject to Hong Kong tax during the Track Record Period.

Profits of the subsidiaries established in the PRC are subject to PRC income tax.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which took effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to our Group's entities established in the PRC, either as domestic or foreign invested enterprises, have been unified at 25% during the Track Record Period. Foreign invested enterprises that were incorporated and registered in China before the new tax law came into force, and were previously subject to 15% corporate income tax, are subject to a gradual increase in tax rate from 15% in 2007 to 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively. Accordingly, Shanghai Yintong has been and will be subject to an income tax rate of 25% for 2008, 2009 and going forward, whereas Lucky Consultants has been subject to an income tax rate of 18% for 2008, 20% for 2009 and 22%, 24% and 25% for 2010, 2011 and 2012, respectively.

Dividends

A sum of approximately RMB923,000 and RMB2,589,000 was paid in 2008 and 2009, respectively as a result of dividends declared in 2007. No dividends were declared for the two years ended 31 December 2009 and the seven months ended 31 July 2010.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth the Company's consolidated results of operations for the periods indicated:

	Year ended	31 December	Seven months ended 31 July	
	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Turnover	<u>12,385</u>	<u>30,446</u>	<u>8,266</u>	<u>53,592</u>
Interest income	11,287	29,612	7,877	25,127
Interest expenses	(765)	(3,238)	(1,142)	(2,106)
Net interest income	10,522	26,374	6,735	23,021
Financial consultancy fee income	<u>1,098</u>	<u>834</u>	<u>389</u>	<u>28,465</u>
	11,620	27,208	7,124	51,486
Other income	1,544	1,829	1,191	1,678
Administrative and other operating expenses	(5,033)	(8,605)	(4,634)	(10,676)
Profit before tax	8,131	20,432	3,681	42,488
Income tax	(1,930)	(4,880)	(897)	(11,318)
Profit for the year/period	6,201	15,552	2,784	31,170
Other comprehensive income:				
Exchange differences on translating foreign operations	<u>361</u>	<u>67</u>	<u>50</u>	<u>41</u>
Total comprehensive income for the year/period	<u>6,562</u>	<u>15,619</u>	<u>2,834</u>	<u>31,211</u>
Profit for the year/period attributable to:				
Owners of the Company	3,694	15,552	2,784	31,170
Non-controlling interests	<u>2,507</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>6,201</u>	<u>15,552</u>	<u>2,784</u>	<u>31,170</u>
Total comprehensive income for the year/period attributable to:				
Owners of the Company	4,055	15,619	2,834	31,211
Non-controlling interests	<u>2,507</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>6,562</u>	<u>15,619</u>	<u>2,834</u>	<u>31,211</u>
Earning per share (<i>RMB</i>)				
Basic and diluted (<i>Note</i>)	<u>0.23 cents</u>	<u>0.97 cents</u>	<u>0.17 cents</u>	<u>1.95 cents</u>

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Note: The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to the owners of the Company during the Track Record Period and the 1,600,000,000 shares in issue and issuable, comprising 1,200,000,000 Shares in issue as at the date of the prospectus and 400,000,000 Shares to be issued pursuant to the Placing as detailed in the paragraph headed “Resolutions in writing of the sole Shareholders passed 4 November 2010” in Appendix VI to this prospectus. As if the shares were outstanding throughout the entire Track Record Period.

Seven months ended 31 July 2009 compared with seven months ended 31 July 2010

Turnover

Revenue increased by approximately 548% from RMB8.27 million for the seven months ended 31 July 2009 to RMB53.59 million for the seven months ended 31 July 2010. Such increase was mainly attributable to the combination of the following reasons:

- *Real estate pawn loans service income*

Our Group’s real estate pawn loans service turnover decreased by approximately 34% from approximately RMB7.77 million for the seven months ended 31 July 2009 to approximately RMB5.13 million for the seven months ended 31 July 2010. The drop in our Group’s real estate pawn loans service income was due to the decrease in interest rate charged from 2010.

Our Group’s interest income from real estate pawn loan service decreased by approximately 66% from approximately RMB1.98 million for the seven months ended 31 July 2009 to approximately RMB0.67 million for the seven months ended 31 July 2010. Our Group’s administrative fee income decreased by approximately 23% from approximately RMB5.79 million for the seven months ended 31 July 2009 to approximately RMB4.47 million for the seven months ended 31 July 2010. The decrease was due to the decrease in interest rate charged from 2010.

- *Entrusted loans service income*

Our Group’s entrusted loans service turnover increased from nil for the seven months ended 31 July 2009 to approximately RMB19.91 million for the seven months ended 31 July 2010. The growth in our Group’s entrusted loans service income was driven by the commencement of our entrusted loans service in late 2009.

Our Group’s interest income from our entrusted loans service increased from nil for the seven months ended 31 July 2009 to approximately RMB14.91 million for the seven months ended 31 July 2010. Our Group’s administrative fee income increased from nil for the seven months ended 31 July 2009 to approximately RMB5.00 million for the seven months ended 31 July 2010. These increases were due to the commencement of our entrusted loans service in late 2009.

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- *Personal property pawn loans service income*

Our Group's personal property pawn loans service turnover decreased by approximately 23.9% from approximately RMB109,000 for the seven months ended 31 July 2009 to approximately RMB83,000 for the seven months ended 31 July 2010. The decrease was mainly due to our increased focus in our Real Estate Backed Loans business.

- *Financial consultancy service income*

Our Group's financial consultancy service turnover increased by approximately 7,200% from approximately RMB0.39 million for the seven months ended 31 July 2009 to RMB28.47 million for the seven months ended 31 July 2010. As our Group gained reputation in the local market, notwithstanding the limitation on the amount of real estate pawn loans to be advanced by our Group, Lucky Consultants expanded its financial consultancy business by referring loan services to other Independent Third Parties for a consultancy fee. The significant increase in the financial consultancy service turnover is attributed to the expansion and positioning of Lucky Consultants in particular. In late 2009, Lucky Consultants began referring customers to Shanghai Yintong for entrusted loans and because the size of entrusted loans are substantially larger than pawn loans, our income generated from entrusted loans had also increased substantially as a result. In addition, Lucky Consultants had also began referring customers to other Independent Third Party lenders from 2010 and had received approximately RMB6.1 million of financial consultancy service income. The average rate of consultancy fee charged by Lucky Consultants had increased from 0.54% for the seven months ended 31 July 2009 to 1.60% for the seven months ended 31 July 2010, and the balance of customers were also increased from RMB75 million as at 31 July 2009 to RMB242 million as at 31 July 2010, respectively for the same period due to the increase in loan balance.

- *Interest expenses*

Our Group's total turnover was partially offset by the interest expenses incurred from borrowings. Our Group's interest expenses increased by approximately 85% from approximately RMB1.14 million for the seven months ended 31 July 2009 to approximately RMB2.11 million for the seven months ended 31 July 2010. Such increase in interest expenses was mainly driven by the RMB40 million new loan obtained by the Group in June 2009.

Other Income

Our Group's other income primarily comprises of government grants, sub-leased rental income, net gain of disposal of other assets and bank interest income. Our Group's other income for the seven months ended 31 July 2009 and the seven months ended 31 July 2010 were approximately RMB1.19 million and RMB1.68 million, respectively. The increase of approximately 41% year on year was mainly attributed to the government grant to Shanghai Yintong in respect of encouragement of expansion of enterprise which was recognized in June 2010 and bank interest income which was in line with our business growth over the period.

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Administrative and Other Operating Expenses

Our Group's administrative and other operating expenses primarily comprise of salary and staff welfare, rental expenses, marketing and advertising expenses. Our Group's administrative and other operating expenses for the seven months ended 31 July 2009 and the seven months ended 31 July 2010 were approximately RMB4.63 million and RMB10.68 million, respectively. The increase of approximately 131% year on year was mainly attributed to the legal and professional fees incurred for the preparation of Listing; increase of Directors' emoluments; auditor's remuneration; sales commission; and total staff costs.

Profit Before Tax

Our Group's profit before tax for the seven months ended 31 July 2009 and the seven months ended 31 July 2010 were approximately RMB3.68 million and RMB42.49 million, respectively. The increase of approximately 1,055% year on year was as a result of the growth of the Real Estate Backed Loans business and the financial consultancy service business for the reasons stated above.

Income Tax

Our Group's income tax for the seven months ended 31 July 2009 and the seven months ended 30 July 2010 were approximately RMB0.90 million and RMB11.32 million, respectively. The increase of approximately 1,158% year on year was in line with the increase in our Group's profit before tax. Our Group's effective income tax rate for the seven months ended 31 July 2009 and 2010 were 24.4% and 26.6%, respectively.

Profit for the seven months ended 30 July 2010

Our Group's profit for the seven months ended 31 July 2009 and 2010 were approximately RMB2.78 million and RMB31.17 million, respectively. The increase of approximately 1,021% year on year was in line with growth of our business over the periods for the reasons stated above.

Year ended 31 December 2009 compared with year ended 31 December 2008

Turnover

In 2009, our Group's total turnover amounted to approximately RMB30.45 million, representing an increase of approximately RMB18.06 million, or 145.8%, from approximately RMB12.39 million in 2008. Such increase was mainly attributable to the combination of the following reasons:

- *Real estate pawn loans service income*

Our Group's real estate pawn loans service turnover increased by approximately 167% from approximately RMB10.98 million in 2008 to approximately RMB29.27 million in 2009. The growth in our Group's real estate pawn loans service income was mainly driven by the increase in the source of funds obtained through (i) amount received from Xinrong Asset as deposit and part payment of the purchase price of secured loans advanced by Shanghai Yintong to its customers and

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its collateral when the secured loan are in default, and (ii) extra bank loans obtained which allowed us to increase the aggregate amount of loans advanced by us and thereby increasing the interest income.

Our Group's interest income from real estate pawn loans service increased by approximately 358% from approximately RMB2.18 million in 2008 to approximately RMB9.98 million in 2009. Our Group's administrative fee income increased by approximately 119% from approximately RMB8.80 million in 2008 to approximately RMB19.28 million in 2009. These increases were in line with the growth in our Group's real estate pawn loans service income in general.

- *Personal property pawn loans service income*

Our Group's personal property pawn loans service turnover decreased by approximately 40.7% from approximately RMB307,000 in 2008 to approximately RMB182,000 in 2009. Such decrease was mainly due to (i) the one-off sales recognition in the amount of RMB65,000, which was the accumulated monthly interest and administrative fee received from our personal property pawn loan customers which, was mistakenly recorded as advance instead of income; and (ii) the significant decrease in price of gold, as a consequence of which, to reduce our risks, we have lowered our loan-to-value ratio for 10% in 2009 when compared to 2008 for our personal property collateral which resulted in a decrease in our revenue, as the revenue correlates with the loan-to-value of the collateral.

- *Financial consultancy service income*

Our Group's financial consultancy service turnover decreased by approximately 24.0% from approximately RMB1.10 million in 2008 to approximately RMB834,000 in 2009. During the Track Record Period, Lucky Consultants recognised financial consultancy service income of approximately RMB1.10 million and RMB4.8 million in 2008 and 2009, respectively. However, for the financial consultancy service income of RMB4.8 million in 2009, approximately RMB4.0 million was financial consultancy service income charged to Shanghai Yintong for the four Real Estate Backed Loans referrals made by Lucky Consultants to Shanghai Yintong. The financial consultancy service income charged by Lucky Consultants was an intragroup transaction and for preparation of the consolidated financial statements, all material intragroup transactions and balances were eliminated on consolidation as if the current group structure had been in existence throughout the Track Record Period. Of the four Real Estate Backed Loans, Shanghai Yintong received a combined fee inclusive of administrative fees and interest, together with a financial consultancy fee from the customers directly. Such consultancy fees were subsequently forwarded back to Lucky Consultants. Further information on which is set out in the section headed "Accountants' Report – Basis of Preparation of Financial Information" in Appendix I of this prospectus. Shanghai Yintong secured more Real Estate Backed Loans referrals from Lucky Consultants than from other Independent Third Parties.

- *Entrusted loans service income*

Our Group's entrusted loans service turnover increased from nil in 2008 to approximately RMB165,000 in 2009. The growth in our Group's entrusted loans service income was due to the commencement of our entrusted loans service in late 2009.

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Our Group's interest income from entrusted loans service increased from nil in 2008 to approximately RMB107,000 in 2009. Our Group's administrative fee income increased from nil in 2008 to approximately RMB58,000 in 2009. These increases were due to the commencement of our entrusted loans service in late 2009.

- *Interest expenses*

Our Group's total turnover was partially set-off by the interest expenses incurred from borrowings. Our Group's interest expenses increased by approximately 320.8% from approximately RMB0.77 million in 2008 to approximately RMB3.24 million in 2009. Such increase was mainly driven by the higher interest rate of new bank borrowings raised in 2009.

Other Income

In 2009, our Group's other income was approximately RMB1.83 million, representing an increase of approximately RMB0.29 million, or 18.8%, from approximately RMB1.54 million in 2008. Such increase was mainly attributable to the increase in the net gain of disposal of repossessed assets related to the one-off disposal of accumulated personal properties after default of loans. These accumulated personal properties were mostly made of gold and we only sold these properties in 2009 as we anticipated the price of gold would increase.

Administrative and Other Operating Expenses

In 2009, our Group's administrative and other operating expenses were approximately RMB8.60 million, representing an increase of approximately RMB3.57 million, or 71.0%, from approximately RMB5.03 million in 2008. Such increase was mainly attributable to the combination of a substantial increase in staff costs, the recruitment of our Chief Executive Officer, Ms. Shen Li (沈勵), the increase in the number of staff and the rental of our new office located at Level 35, Lucky Target Square, No.500 Chengdu Road North, Huangpu District, Shanghai, the PRC commencing in March 2009.

Profit Before Tax

As a result of the above, our Group's profit before tax in 2009 was approximately RMB20.43 million, representing an increase of approximately RMB12.30 million, or 151.3%, from RMB8.13 million in 2008.

Income Tax

Our Group's income tax in 2009 was approximately RMB4.88 million, representing an increase of approximately RMB2.95 million, or 152.8%, from RMB1.93 million in 2008. Such increase was in line with the increase in our Group's profit before tax during the same period. Our Group's effective income tax rate for two years ended 31 December 2009 were 23.7% and 23.9%, respectively.

Profit for the Year

As a result of the above, our Group's profit in 2009 was approximately RMB15.55 million, representing an increase of approximately RMB9.35 million, or 150.8%, from RMB6.20 million in 2008.

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LIQUIDITY AND CAPITAL RESOURCES

Since our establishment, we principally finance our operations through a combination of capital contributions from shareholders, amounts received from Xinrong Asset as deposit; part payment of the purchase price of secured loans advanced by Shanghai Yintong to its customers and its collateral when the secured loans are in default; and borrowings from banks.

We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due.

The following table sets out selected cash flow data from our Group's consolidated cash flow statements for the periods indicated.

	Year ended		Seven months ended	
	31 December		31 July	
	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Operating cash inflows before movements in working capital	9,712	23,834	4,977	44,590
Net cash from/(used in) operating activities	6,797	3,604	(35,635)	(12,762)
Net cash used in investing activities	(95)	(3,126)	(191)	(305)
Net cash from/(used in) financing activities	6,620	27,692	31,274	(8,015)
Net increase/(decrease) in cash and cash equivalents	13,322	28,170	(4,552)	(21,082)
Cash and cash equivalents at beginning of year/period	2,007	15,329	15,329	43,499
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of year/period	15,329	43,499	10,777	22,417
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Net cash flow from operating activities

Our cash inflows from operating activities are primarily attributable to our administrative fees and interest income received.

For the seven months ended 31 July 2010, we recorded net cash outflow from operating activities of approximately RMB12.76 million. The outflow during the period was primarily a result of (i) approximately RMB44.59 million operating cash inflows before movements in working capital; (ii) approximately RMB59.00 million as a result of deposits received from Xinrong Asset for the cooperation and our Group's business expansion. However such inflow was completely offset by the Group's expansion as we advanced loans in exceed of RMB51 million during the seven months ended 31 July 2010.

For the seven months ended 31 July 2009, we recorded net cash outflow from operating activities of approximately RMB35.64 million. During the period, we had operating cash inflows before movements in working capital of RMB4.98 million and outflow of deposits of RMB2.40 million. The outflow during the period comprised of a RMB44.39 million increase in loan receivables as a result of loans advanced.

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For the year ended 31 December 2009, we recorded net cash inflow from operating activities of approximately RMB3.61 million, primarily as a result of (i) approximately RMB23.83 million operating cash inflows before movements in working capital; (ii) an increase in accruals and other payables of approximately RMB9.28 million due to the fact that our Group commenced its entrusted loan operation in late 2009 and had advanced through entrusted loans to four customers with loan amount ranging from RMB13 million to RMB38 million each, of which approximately RMB10.4 million was receipt in advance for the financial and consultancy services fees received at the time of loans granted; (iii) an increase in deposits received as Xinrong Asset paid deposits of RMB77 million as at 31 December 2009 for purchasing of creditors' rights over forfeited collateral; and (iv) a decrease in disposal of collateral after default of loan repayment of approximately RMB311,000. This was partially offset by (i) an increase in loan receivables of approximately RMB100.81 million as a result of the increase of the aggregate amount of loans advanced by us; and (ii) an increase in prepayments and other receivables of approximately RMB1.59 million.

For the year ended 31 December 2008, we recorded net cash inflow from operating activities of approximately RMB6.80 million, primarily as a result of (i) approximately RMB9.71 million operating cash inflows before movements in working capital; (ii) a decrease in loan receivables of approximately RMB6.81 million; (iii) a decrease in prepayments and other receivables of approximately RMB102,000; and (iv) an increase in deposits received of approximately RMB1.20 million. This was partially offset by (i) an increase in disposal of collateral after default of loan repayment of approximately RMB449,000; and (ii) a decrease in accruals and other payables of approximately RMB9.29 million was mainly due to the repayment of interest-free advance from the then minority shareholders.

Net cash flow from investing activities

Our cash inflows from our investing activities are primarily attributable to bank interest income received. Our cash outflows from investing activities are primarily for the purchase of property held for sale and plant and equipment.

Net cash used in investing activities for the seven months ended 31 July 2010 was approximately RMB305,000. The outflow was primarily as a result of purchase of plant and equipment and payment of deposit for acquisition of plant and equipment.

Net cash used in investing activities for the seven months ended 31 July 2009 was approximately RMB191,000. The outflow was primarily as a result of purchase of plant and equipment in 2009.

Net cash used in investing activities for the year ended 31 December 2009 was approximately RMB3.13 million. This was primarily as a result of the purchase of property held for sale which was collateral of a defaulted loan of approximately RMB3.00 million where the purchase price was approximately 60% of the then market price and purchase of plant and equipment of approximately RMB247,000 (the collateral purchased had not been sold as at 30 September 2010, the indebtedness date, and we do not intend to purchase similar collateral after Listing). This was partially offset by bank interest income received in the amount of approximately RMB117,000.

Net cash used in investing activities for the year ended 31 December 2008 was approximately RMB95,000. This was primarily as a result of the purchase of plant and equipment of approximately RMB148,000; and was partially offset by the bank interest income received in the amount of approximately RMB53,000.

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Net cash flow from financing activities

Our cash inflow from financing activities is primarily attributable to new borrowings and advance from related company and controlling shareholder. Our cash outflow from financing activities is principally due to repayment of borrowings, interest paid, dividends paid and repayment to a related party.

Net cash outflow from financing activities for the seven months ended July 2010 was approximately RMB8.02 million. The cash inflow during the seven months ended 31 July 2010 was a result of proceeds from the issue of new shares to Integrated Asset of RMB23.58 million. This was offset by repayments of bank borrowings and controlling shareholder of RMB11.00 million and RMB18.49 million, respectively.

Net cash inflow from financing activities for the seven months ended 31 July 2009 was approximately RMB31.27 million. The cash inflow during the seven months ended 31 July 2009 was a result of the new borrowings of approximately RMB40 million. This was partially offset by the repayments of borrowings to related party and dividends paid of RMB5.00 million and RMB2.59 million, respectively.

Net cash from financing activities for the year ended 31 December 2009 was approximately RMB27.69 million. The cash inflow mainly represented the new borrowings of approximately RMB40.00 million and advance from a controlling shareholder of approximately RMB11.52 million for the expansion of the business of the Group. This was partially offset by the repayment of bank borrowings of approximately RMB13.00 million, interest paid of approximately RMB3.24 million, repayment to a borrowings from Mr. Ting of approximately RMB5.00 million and dividends paid as a result of dividends declared in 2007 in the amount of approximately RMB2.59 million.

Net cash from financing activities for the year ended 31 December 2008 was approximately RMB6.62 million. The cash inflow mainly represented the new borrowings of approximately RMB13.00 million and an advance from Jinhan Investment of approximately 6.30 million. This was partially offset by the bank repayment of borrowings of approximately RMB11.00 million, interest paid of approximately RMB765,000 and dividends paid as a result of dividends declared in 2007 in the amount of approximately RMB923,000.

INDEBTEDNESS

The following table sets forth our indebtedness as at the end of each reporting period:

	As at 31 December		As at	As at 30
	2008	2009	31 July	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)
Unsecured bank loans	13,000	11,000	–	–
Entrusted loans	–	29,000	29,000	29,000
	<u>13,000</u>	<u>40,000</u>	<u>29,000</u>	<u>29,000</u>

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The banking facilities granted to the Group were secured by plant and equipment of Jinhan Investment. As at the Latest Practicable Date, all these mortgages were discharged.

As at 30 September 2010, being the latest practicable date for the purpose of this indebtedness statement in this prospectus, our total indebtedness amounts to approximately RMB29 million, consisting of entrusted loan of approximately RMB29 million. Our Directors confirmed that there has not been any material change in our indebtedness since 30 September 2010.

As at 30 September 2010, the Group had total future minimum lease payments under non-cancelable operating leases in respect of rented premises amounting to approximately RMB3.5 million.

Save as aforesaid, and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as of the close of business on 30 September 2010.

CAPITAL EXPENDITURE

Capital expenditure over the Track Record Period

Our capital expenditure for the two years ended 31 December 2009 and the seven months ended 31 July 2010 was approximately RMB148,000, RMB247,000 and RMB409,000, respectively. The increase in our capital expenditure for 2009 was primarily due to the costs incurred in the renovation of our office premises located at Level 35, Lucky Target Square, No.500 Chengdu Road North, Huangpu District, Shanghai, the PRC. The increase in our capital expenditure for the seven months ended 31 July 2010 was primarily due to the acquisition of plant and equipment and setting up of our new offices.

Planned capital expenditure

We expect to incur capital expenditures of approximately RMB100,000 from the Latest Practicable Date until 31 December 2010. Our principal expected capital expenditures include setting up our Baokang Guarantee office in Suzhou and acquiring plant and equipment.

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CONTRACTUAL COMMITMENTS

Our contractual commitments are primarily related to the leases of our office premises and the acquisition of plant and equipment contracted. We lease our office premises and also sub-lease certain of our office premises to an Independent Third Party. The following table shows the contractual commitments of our Group, other than its borrowings, as at 31 December 2008 and 2009 and as at 31 July 2010:

	As at 31 December		As at
	2008	2009	31 July
	<i>RMB'000</i>	<i>RMB'000</i>	2010
			<i>RMB'000</i>
Total future minimum lease payments under non-cancellable operating leases are payable as follows:			
Within one year	1,550	2,027	3,118
In the second to fifth years inclusive	–	–	608
	<u>1,550</u>	<u>2,027</u>	<u>3,726</u>
Total future minimum lease payments under non-cancellable operating leases are receivable as follows:			
Within one year	<u>201</u>	<u>315</u>	<u>257</u>
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	<u>–</u>	<u>–</u>	<u>119</u>

NET CURRENT ASSETS AND LIABILITIES

The table below sets out our Group's current assets, current liabilities and net current assets as at the end of the respective reporting periods.

	As at 31 December		As at	As at
	2008	2009	31 July	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Current assets				
Other assets	449	138	170	119
Loan receivables	30,884	131,693	242,125	216,219
Prepayments and other receivables	4,812	2,902	1,202	365
Property held for sale	–	2,996	2,996	2,996
Bank balance and cash	15,329	43,499	22,417	39,048
	<u>51,474</u>	<u>181,228</u>	<u>268,910</u>	<u>258,747</u>

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	As at 31 December		As at 31 July 2010	As at 30 September 2010
	2008	2009	2010	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Current liabilities				
Accruals and other payables	2,705	11,983	9,282	11,067
Deposits received	6,402	77,000	136,000	102,000
Amount due to a controlling shareholder	7,094	18,546	15	–
Amount due to a related party	5,000	–	–	–
Borrowings	2,000	40,000	29,000	29,000
Dividends payable	2,589	–	–	–
Income tax payables	1,447	4,809	10,965	15,316
	<u>27,237</u>	<u>152,338</u>	<u>185,262</u>	<u>157,383</u>
Net current assets	<u>24,237</u>	<u>28,890</u>	<u>83,648</u>	<u>101,364</u>

Loan receivables, prepayments and other receivables analysis

Our loan receivables as at 31 December 2008 and 2009 and 31 July 2010 were approximately RMB30.88 million, RMB131.69 million and RMB242.13 million, respectively. As at 30 September 2010, our loan receivables balance was RMB216.22 million and we have collected approximately 36.3% of our loan receivables that were outstanding as at 31 July 2010, while the remaining balance of approximately 63.7% was renewed or not yet due.

The pawn loans to customers arising under our Group's secured financing business had an average loan period of 90 days. The loans provided to customers had fixed interest rates ranging from 2.2% to 4.5%, 2.5% to 6% and 3% to 4.8% per month in 2008, 2009 and first seven months of 2010, respectively and were repayable according to the loan agreements. Included in the balances are loans of approximately RMB30.76 million, RMB131.70 million and RMB242.09 million as at 31 December 2008 and 2009 and 31 July 2010 secured by real estate in the PRC, respectively and RMB475,000, RMB343,000 and RMB305,000 as at 31 December 2008 and 2009 and 31 July 2010 secured by personal property, respectively.

Included in the loan receivables as at 31 December 2009, approximately RMB101 million was for the entrusted loans to customers, including two entrusted loans with two independent corporate customers in the amount of RMB38 million and RMB13 million through China Construction Bank Shanghai Branch, and two entrusted loans with two independent corporate customers in the amount of RMB20 million and RMB30 million through Bank of Ningbo Shanghai Branch.

Included in the loan receivables as at 31 July 2010, approximately RMB213.50 million was for the entrusted loans to customers through China Construction Bank Shanghai Branch and Bank of Ningbo Shanghai Branch.

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Our prepayments and other receivables as at 31 December 2008 and 2009 and 31 July 2010 were approximately RMB4.81 million, RMB2.90 million and RMB1.20 million, respectively. As at 31 December 2008, the amounts mainly comprised of other receivables of RMB3.5 million from Shenzhen Runxun, which was subsequently settled. As at 31 December 2009, prepayment in the amount of RMB2.9 million mainly comprised legal and professional fees in relation to prepare the Listing of the Group in 2010 which was subsequently fully utilised. As at 31 July 2010, the amount mainly comprised of rental and other deposit of RMB421,000 and prepaid rental expenses of RMB250,000.

As at 31 December 2008 and 2009 and 31 July 2010, approximately RMB19.36 million, RMB29.70 million and RMB54.78 million represented loan receivables attributable to loans renewals, respectively.

As at 31 December 2008, 31 December 2009 and 31 July 2010, the Group held collateral with value of approximately RMB102.81 million, RMB580.61 million and RMB1,795.75 million, respectively, in total over the financial advances to customers.

The following table illustrates the aging analysis of our loan receivables (net of impairment loss) as of the end of each of the reporting dates:

	As at 31 December		As at
	2008	2009	31 July
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	29,325	131,693	186,185
More than 3 months but less than 6 months	–	–	55,940
More than 6 months but less than 12 months	1,250	–	–
More than 12 months	309	–	–
	30,884	131,693	242,125
Total loan receivables	30,884	131,693	242,125

For the year 2008, our Group's loan receivables of RMB350,000 were individually determined to be impaired. The individually impaired receivables related to a deceased customer and the management assessed that the entire receivable is expected to be irrecoverable. Consequently, an impairment loss of RMB350,000 was recognised.

Accruals and other payables, and deposits received analysis

Included in accruals and other payables as at 31 December 2009 are financial services and consultancy income receipts in advance of RMB10.4 million, which had been fully recognised as income up to July 2010.

Included in accruals and other payables as at 31 July 2010 are financial services income receipts in advance of RMB3.96 million, of which RMB2.63 million had been fully recognised as income up to 30 September 2010.

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Our deposits received as at 31 December 2008 and 2009 and 31 July 2010 were approximately RMB6.40 million, RMB77 million and RMB136 million, respectively. The balance as at 31 December 2008 represented the deposit received from 豪景物業管理(上海)有限公司 (Haojing Property Management (Shanghai) Company Limited), an Independent Third Party, for acquisition of real estate collateral situated in Shanghai. The balance as at 31 December 2009 represented the deposits received from Xinrong Asset for acquisition of real estate. The RMB77 million comprises of deposits for three real estate collateral from 上海寬視置業有限公司 (Shanghai Kuan Shi Zhi Ye Company Limited), 上海欣倫實業有限公司 (Shanghai Xin Lun Enterprises Company Limited) and 上海財亨實業有限公司 (Shanghai Cai Heng Enterprises Company Limited), all of which are Independent Third Parties. As at 31 July 2010, among the RMB77 million, RMB62 million has been repaid to Xinrong Asset when the borrowers repaid the entrusted loans to Shanghai Yintong. The remaining balance of RMB15 million was related to a loan with principal amount of RMB38 million to a borrower, of which RMB8.8 million of the principal amount was subsequently settled and the remaining balance of RMB29.2 million was due in November 2010. The balance as at 31 July 2010 represented the deposits received from Xinrong Asset for the purchase of the Shanghai Yintong's right over collateral, which will be subsequently acquired by Xinrong Asset. The RMB136 million comprises of deposits for four real estate collateral from 上海信興實業有限公司 (Shanghai Xin Xing Enterprises Company Limited), 上海生南實業發展有限公司 (Shanghai Sheng Nan Industrial Development Company Limited), 上海沙河實業發展有限公司 (Shanghai Sha He Industrial Development Company Limited) and 上海欣倫實業有限公司 (Shanghai Xin Lun Enterprises Company Limited), all of which are Independent Third Parties.

OTHER KEY FINANCIAL RATIOS

	As at/for the year ended		As at/ for the seven months ended
	31 December 2008	2009	31 July 2010
Current ratio ⁽¹⁾	1.9x	1.2x	1.5x
Return on assets ⁽²⁾	11.9%	8.6%	11.6%
Return on equity ⁽³⁾	44.7%	52.7%	37.0%

Notes:

- (1) Current ratio equals to total current assets divided by total current liabilities.
- (2) Return on assets equals net profit for each period divided by total assets as at the end of the respective period and multiplied by 100%.
- (3) Return on equity equals net profit for each period divided by the closing balance of total equity as at the end of the respective period and multiplied by 100%.

Current ratio

Our Group's current ratio decreased from 1.9x as at 31 December 2008 to 1.2x as at 31 December 2009 and increased to 1.5x as of 31 July 2010. The decrease from 2008 to 2009 was primarily attributable to the deposit received from Xinrong Asset as purchase price of real estate collateral of a secured loan advanced by Shanghai Yintong when the secured loan was in default. The deposit would be the down payment for the acquisition of real estate which will be subsequently acquired by the aforementioned parties. If the aforementioned parties do not acquire the real estate, we will refund the entire amount of deposit to Xinrong Asset. The increase from 2009 to 2010 was primarily attributable to the increase of loan receivables of RMB110,432,000 and issuance of shares to Integrated Assets of RMB23,581,000.

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Return on assets

Return on assets for the years 31 December 2008 and 31 December 2009 and the seven months ended 31 July 2010 was approximately 11.9%, 8.6% and 11.6%, respectively. Our net profit increased by approximately 150.8% from approximately RMB6.20 million to approximately RMB15.55 million for the year ended 31 December 2009. Whereas our total assets increased by approximately 248.9 % to approximately RMB181.84 million for the year ended 31 December 2009 from RMB52.12 million for the year ended 31 December 2008, which led to the decrease in return on assets of our Group in the year 2009.

Return on equity

Return on equity for the years 31 December 2008 and 31 December 2009 and the seven months ended 31 July 2010 was approximately 44.7%, 52.7% and 37.0%, respectively. Our net profit increased by approximately 150.8% to approximately RMB15.55 million for the financial year ended 31 December 2009, which led to the increase in return on equity of our Group in that year.

MARKET RISKS

Liquidity risk

In management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

Interest rate risk

Our Group's exposure to changes in interest rates is mainly attributable to its loan receivables, bank balances, deposit received and borrowings. Bank balances, deposit received and borrowings at variable rates expose our Group to cash flow interest-rate risk, while loan receivable at fixed rates expose our Group to fair value interest-rate risk.

Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

As most of our Group's monetary assets and liabilities are denominated in RMB and our Group conducts its business transactions principally in RMB, the currency risk of our Group is not significant and our Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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DIVIDEND AND DIVIDEND POLICY

We did not declare dividends to Shareholders or any of our subsidiaries during the Track Record Period. A sum of approximately RMB923,000 and RMB2,589,000 was paid in 2008 and 2009 respectively as a result of dividends declared in 2007.

Shareholders will be entitled to receive dividends as declared by our Board, who will consider various factors including the financial condition, capital requirements and earnings of our Group, in order to determine in their discretion the payment and amount of any such dividends.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Please also refer to the section headed “Risk Factors – Dividends declared by us in the past may not be indicative of the amount of future dividend payments or our future dividend policy” of this prospectus for further details.

Subject to the above, the Board currently intend to recommend a distribution to all Shareholders in an amount representing not less than 15% of the distributable net profit attributable to the equity holders of our Company in each of the financial years following the Listing. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration of the financial resources presently available to our Group, including its operating cash flow and the expected proceeds from the Placing, we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

DISCLOSURE PURSUANT TO CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 4 January 2010, in the opinion of the Directors, our distributable reserves which are available for distribution to shareholders as at 31 July 2010 amounted to approximately RMB19,737,000, consist of share premium of approximately RMB23,581,000 and net of accumulated losses of approximately RMB3,844,000. We incurred accumulated losses primarily because we incurred a loss of approximately RMB3,741,000 as a result of legal and professional expenses incurred during the period.

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PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

The following sets forth certain unaudited profit forecast data for the year ending 31 December 2010. Please refer to “Profit Forecast” in Appendix III to this prospectus for further details.

Forecast consolidated net profit attributable to owners of the Company ⁽¹⁾	not less than RMB52.2 million
Unaudited forecast pro forma earnings per Share ⁽²⁾	not less than RMB3.26 cents

Notes:

- (1) The base and assumptions on which the above profit forecast has been prepared are summarized in Appendix III to this prospectus.
- (2) The calculating of forecast proforma earnings per Share for the year ending 31 December 2010 is based on the forecast consolidated net profit attributable to owners of the Company for the year ending 31 December 2010 and assuming that the Placing had occurred on 1 January 2010 and a total of 1,600,000,000 Shares had been in issue during the year ending 31 December 2010 but without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Placing on the consolidated net tangible assets of our Group as at 31 July 2010 as if it had been taken place on 31 July 2010.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Placing been completed as at 31 July 2010 as at any future dates.

	Audited consolidated net tangible assets attributable to the owners of the Company as at 31 July 2010 RMB'000 (Note 1)	Estimated net proceeds from the Placing RMB'000 (Note 2)	Unaudited pro forma adjusted net tangible assets attributable to the owners of the Company RMB'000	Unaudited pro forma adjusted net tangible assets per Share	
				RMB (Note 3)	HK\$ (Note 4)
Based on the Offer Price of HK\$0.68 per Share	84,291	221,763	306,054	0.191	0.220
Based on the Offer Price of HK\$0.78 per Share	84,291	255,345	339,636	0.212	0.244

FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of the Company as at 31 July 2010 are arrived based on audited consolidated net tangible assets of approximately RMB84,291,000 as at 31 July 2010 extracted from the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the placing of 400,000,000 placing shares of the Company are based on the Placing Price of HK\$0.68 and HK\$0.78 per Share, after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of the proceeds from any Shares that may be issued pursuant to the Over-allotment Option or the proceeds from the Shares that may be granted under the Pre-IPO Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Placing payable to the Company as described in note (2) and on the basis that a total of 1,600,000,000 Shares were in issue as at 31 July 2010 (but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or the Shares which may be issued upon exercise of the Pre-IPO Share Option Scheme.
- (4) The unaudited pro forma adjusted net tangible asset per Share is translated into HK\$ at exchange rate of RMB0.87 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) Details of valuation of the Group's properties interest as at 30 September 2010 are set out in Appendix IV to this prospectus. The Group will not incorporate the revaluation surplus or deficit in its consolidated financial statements for the seven months ended 31 July 2010. It is the Group's accounting policy to state its properties held for sale at the lower of cost and fair value less costs to sell in accordance with the relevant HKASs, rather than at revalued amounts. With reference to the valuation of the Group's property interests as set out in Appendix IV to this prospectus, there was a revaluation surplus of the Group's properties of approximately RMB1,404,000. There would not be any additional depreciation charge on the properties held for sale if the revaluation surplus was incorporated in the Group's financial statements for the seven months ended 31 July 2010.

PROPERTY VALUATION

BMI Appraisals Limited, an independent property valuer, has valued our property interests as at 30 September 2010 and is of the opinion that the value of our property interests is RMB4,400,000. The full text of the letter, summary of values and valuation certificates with regard to such property interests is set out in Appendix IV to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of us since 31 July 2010, being the date on which the latest financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus.

NO MATERIAL CONTINGENT LIABILITY

Our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our Group's contingent liabilities since 31 July 2010.

UNDERWRITING

UNDERWRITERS

Sole Bookrunner and Sole Lead Manager

China Everbright Securities (HK) Limited

Co-Lead Manager

Haitong International Securities Company Limited

Co-Managers

VC Brokerage Limited
Cheong Lee Securities Limited
First Shanghai Securities Limited
Guangdong Securities Limited
Nittan Securities Asia Limited
CMB International Capital Limited
Kingston Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Placing Shares for placing and sale to institutional, professional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Listing Division granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon exercise of the Over-allotment Option and options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being satisfied, the Underwriters have severally agreed to subscribe for or purchase or procure subscribers or purchasers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The Sole Sponsor and the Sole Lead Manager (on behalf of the Underwriters) shall have the absolute right which is exercisable by the Sole Sponsor and the Sole Lead Manager (for itself and on behalf of the Underwriters) to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to the Company (for itself and on behalf of the other parties thereto (other than the Underwriters)) by the Sole Sponsor and the Sole Lead Manager (for themselves and on behalf of the Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:-

UNDERWRITING

- (i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the British Virgin Island, the PRC or any relevant jurisdiction; or
- (ii) any adverse change (whether or not permanent) in local, national or international stock market conditions; or
- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the British Virgin Island, the PRC or any relevant jurisdiction; or
- (v) any change in the business or in the financial or trading position of the Group or otherwise; or
- (vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, the Cayman Islands, the British Virgin Island, the PRC or any relevant jurisdiction; or
- (vii) a general moratorium on commercial banking business activities in Hong Kong, the PRC or any relevant jurisdiction declared by the relevant authorities; or
- (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out,

which in the opinion of the Sole Sponsor and the Sole Lead Manager (for themselves and on behalf of the Underwriters):-

- (a) might be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
- (b) might have a material adverse effect on the success of the Placing; or
- (c) makes it inadvisable or inexpedient to proceed with the Placing.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Sponsor and the Sole Lead Manager:

- (i) any material breach of any of the warranties or any other provision of the Underwriting Agreement which is considered, in the opinion of the Sole Sponsor and the Sole Lead Manager (for themselves and on behalf of the Underwriters), to be material in the context of the Placing; or

UNDERWRITING

- (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus and the placing letter, would have constituted a material omission in the opinion of the Sole Sponsor and the Sole Lead Manager (for themselves and on behalf of the Underwriters) in the context of the Placing; or
- (iii) any statement contained in this prospectus and the placing letter reasonably considered to be material by the Sole Sponsor and the Sole Lead Manager which is discovered to be or becomes untrue, incorrect or misleading in any respect considered in the opinion of the Sole Sponsor and the Sole Lead Manager (for themselves and on behalf of the Underwriters) to be material in the context of the Placing; or
- (iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, the executive Directors, Mr. Shi and Kaiser Capital pursuant to the indemnities contained in the Underwriting Agreement.

The Sole Sponsor and the Sole Lead Manager (for themselves and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to our Company (for ourselves and on behalf of the other parties thereto (other than the Underwriters)) on or prior to such time to terminate the Underwriting Agreement.

Undertakings

Under the Underwriting Agreement,

- (a) each of Mr. Shi and Kaiser Capital undertakes to and covenants with our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters and the Stock Exchange that:
 - (i) save as permitted under the GEM Listing Rules, it/he shall not and shall procure that the relevant registered holders shall not, in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First 6-Months Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares which he/it, is shown by this prospectus to be the beneficial owner(s); and
 - (ii) save as permitted under the GEM Listing Rules, he/it shall not and shall procure that the relevant registered holders shall not, in the period of six months commencing on the date immediately following the date on which the First 6-Months Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

UNDERWRITING

these restrictions shall not apply to any Shares which Mr. Shi and Kaiser Capital or any of his/its respective associates may acquire or become interested in following the Listing Date.

- (b) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (a) above, he/it must inform our Company and the Sole Sponsor, the Sole Lead Manager immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (c) having pledged or charged any of his/its interests in the Shares under paragraph (b) above, he/it must inform our Company and the Sole Lead Manager immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected.

We undertake to and covenant with the Sole Sponsor, the Sole Lead Manager and the Underwriters, and each of the executive Directors Mr. Shi and Kaiser Capital jointly and severally undertakes to and covenants with the Sole Sponsor, the Sole Lead Manager and the Underwriters to procure that, save with the prior written consent of the Sole Lead Manager (on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), or save pursuant to the Placing, the Capitalisation Issue, the grant of any option under the Share Option Schemes, or the issue of Shares upon exercise of any of the Over-allotment Option or options which have been or may be granted under the Share Options Schemes, our Company shall not, within the period of six months from the Listing Date:

- (a) save as permitted under the GEM Listing Rules (including but not limited to rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed)); or
- (b) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company; or
- (c) purchase any securities of our Company; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so.

Total commission, fee and expenses

In connection with the Placing, the Underwriters will receive an underwriting commission of 3.5% of the aggregate Placing Price of all the Placing, out of which they will pay any sub-underwriting commissions and selling concessions.

UNDERWRITING

Our Company has agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by our Company of the Underwriting Agreement.

Underwriters' interest in our Company

Apart from the abovementioned, the Sole Sponsor and the Sole Lead Manager do not have any other business relationship with our Group.

STRUCTURE OF THE PLACING

PLACING PRICE

The Placing Price plus a 1% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee make up total price payable on subscription. The level of indications of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk on or before 9:00 a.m. on 18 November 2010.

THE PLACING

Placing

The Placing comprises 400,000,000 Placing Shares conditionally offered by our Company. Our Company is initially offering 400,000,000 Shares for subscription by way of private placements to professional, institutional or other investors. The Placing Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue. The Placing is fully underwritten by the Underwriters. The minimum subscription size for each subscriber of the Placing Share is 4,000 Shares and thereafter in integral multiples of board lot size of 4,000 Shares. Investors subscribing for the Placing Shares are required to pay the final Placing Price plus 1% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee for each board lot of 4,000 Shares.

Pursuant to the Placing, it is expected that the Underwriters or selling agents nominated by them, on behalf of our Company will conditionally place the Placing Shares at the Placing Price with selected professional and institutional investors in Hong Kong. Professional, institutional and other investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities.

Basis of Allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the listing of the Shares on GEM. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional, and institutional shareholder base for the benefit of our Company and the Shareholders as a whole. In particular, Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public shareholder. No allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

The Placing is subject to the conditions as stated in the paragraph headed "Conditions of the Placing" below.

STRUCTURE OF THE PLACING

OVER-ALLOTMENT OPTION

The Sole Lead Manager or its agent on behalf of the Underwriters can exercise the Over-allotment Option, which will be exercisable at any time from the date of the prospectus up to (and including) the date which is the 30th day after the date of this prospectus. Pursuant to the Over-allotment Option, the Sole Lead Manager or its agent will have the right to require the Company to allot and issue up to an aggregate of 60,000,000 additional new Shares, representing in aggregate up to 15% of the Placing Shares initially available under the Placing. These Shares will be sold or issued, at the Placing Price.

If the Over-allotment Option is exercised, in full or in part, our Company will make an announcement.

If the Over-allotment Option is exercised in full, the additional Placing Shares will represent approximately 3.61% of our Company's enlarged number of Shares in issue following completion of the Placing and the Capitalisation Issue and the exercise of such Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any option that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.

STOCK BORROWING

In order to facilitate settlement of over-allocations in connection with the Placing, a stock borrowing agreement was entered into between the Sole Lead Manager and Kaiser Capital dated 15 November 2010. Under the stock borrowing agreement, Kaiser Capital has agreed with the Sole Lead Manager that if requested by the Sole Lead Manager, it will, subject to the terms of the stock borrowing agreement, make available to the Sole Lead Manager up to 60,000,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the Placing on the conditions that:

- (i) such stock borrowing arrangement will only be effected by the Sole Lead Manager for settlement of over-allocations of Shares in connection with the Placing;
- (ii) the maximum number of Shares which may be borrowed from Kaiser Capital by the Sole Lead Manager under the stock borrowing agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Kaiser Capital or its nominees, as the case may be, on or before the 3rd business day following the earlier of:
 - (a) the last day for exercising the Over-allotment Option; or
 - (b) the day on which the Over-allotment Option is exercised in full;
- (iv) the stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements; and
- (v) no payments or other benefits will be made to Kaiser Capital by the Sole Lead Manager or any of the Underwriters in relation to such stock borrowing arrangement.

STRUCTURE OF THE PLACING

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Placing Price.

In connection with the Placing, the Sole Lead Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Lead Manager or its agent to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Sole Lead Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the Listing Date. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 60,000,000 Shares, which is 15% of the Placing Shares initially available under the Placing.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules under the SFO. Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Placing Shares should note that:

- the Sole Lead Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Sole Lead Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Sole Lead Manager may have an adverse impact on the market price of the Shares;

STRUCTURE OF THE PLACING

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Placing Price, and is expected to expire on the 30th day after the Listing Date. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Placing Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Placing Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Placing, the Sole Lead Manager may over-allocate up to and not more than an aggregate of 60,000,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Sole Lead Manager or its agent on behalf of the Underwriters, or by making purchases in the secondary market at prices that do not exceed the Placing Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Sole Lead Manager may borrow up to 60,000,000 Shares from Kaiser Capital, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the stock borrowing agreement to be entered into between the Sole Lead Manager and Kaiser Capital. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Kaiser Capital by the Sole Lead Manager in relation to the stock borrowing arrangement.

CONDITIONS OF THE PLACING

Acceptance of your applications is conditional upon:

(a) Listing

The Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon exercise of the Over-allotment Option and exercise of the options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme); and

STRUCTURE OF THE PLACING

(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Sponsor and Sole Lead Manager on behalf of the Underwriters) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. (Hong Kong time) on 19 November 2010). Details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed “Underwriting” in this prospectus.

In each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and Listing Division will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the GEM Website on the next Business Day following such lapse.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on 19 November 2010.

Shares will be traded in board lots of 4,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

STRUCTURE OF THE PLACING

DETERMINATION OF PLACING PRICE

The Placing Price is expected to be fixed by agreement between the Company and the Sole Lead Manager (on behalf of the Underwriters) on the Price Determination Date, which is currently scheduled to be on 15 November 2010. If the Sole Lead Manager (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Placing Price by the Price Determination Date (or such later date as agreed by the Company and the Sole Lead Manager (on behalf of the Underwriters)), the Placing will not become unconditional and will lapse.

The Placing Price will not be more than HK\$0.78 per Share and is expected to be not less than HK\$0.68 per Share unless otherwise announced.

The net proceeds from the Placing, assuming the Over-allotment Option is exercised, are estimated to be approximately HK\$316.5 million based on the Placing Price of HK\$0.73 per Share, being the mid point of the stated range of the Placing Price.

An announcement of the Placing Price and the level of interest for the Placing are expected to be published on the GEM Website on or about 18 November 2010. If for any reason the Price Determination Date is changed, the Company will as soon as practicable cause to be published on the GEM Website a notice of the change and if applicable the revised date.



SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

15 November 2010

The Directors
Credit China Holdings Limited
China Everbright Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the “Financial Information”) regarding Credit China Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the years ended 31 December 2008 and 2009 and the seven months ended 31 July 2010 (the “Track Record Periods”) for inclusion in the prospectus of the Company dated 15 November 2010 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 4 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as detailed in the section headed “History and Reorganisation” in the Prospectus (the “Reorganisation”), the Company became the holding company of its subsidiaries on 25 February 2010. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganisation.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of Company	Note	Place and date of incorporation or establishment/operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Ever Step Holdings Limited (“Ever Step”)		The British Virgin Islands (“BVI”) 7 December 2009	USD1/USD50,000	100%	–	Investment holding
Easy Value Investments Limited (“Easy Value”)		BVI 4 December 2009	USD1/USD50,000	–	100%	Investment holding
Lucky Target Property Agency Limited (“Lucky Target”)		Hong Kong 2 March 1993	HKD100/ HKD10,000	–	100%	Investment holding

Name of Company	Note	Place and date of incorporation or establishment/operation	Issued and fully paid share capital/registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Measure Up International Limited ("Measure Up")		BVI 25 September 2009	USD1/USD50,000	-	100%	Investment holding
Vigo Hong Kong Investment Limited ("Vigo Investment")		Hong Kong 2 September 2008	HKD1/HKD10,000	-	100%	Money lending business
Wyndnsfield Resources Limited ("Wyndnsfield Resources")		Hong Kong 30 July 2004	HKD100/HKD10,000	-	100%	Investment holding
峻岭物業顧問(上海)有限公司 ("Lucky Consultants")	(i)	The People's Republic of China (the "PRC") 5 May 1998	USD900,000/ USD900,000	-	100%	Financial consulting services
上海銀通典當有限公司 ("Shanghai Yintong")	(ii)	The PRC 11 June 2003	RMB40,000,000/ RMB40,000,000	-	100%	Pawn loans business
宝康投資担保(蘇州)有限公司 ("Baokang Guarantee")	(iii)	The PRC 12 May 2010	-/RMB100,000,000	-	100%	Loan guarantee services

Note:

- (i) Lucky Consultants was established in the PRC as a wholly foreign-owned enterprise.
- (ii) Shanghai Yintong was established in the PRC as a domestic company.
- (iii) Baokang Guarantee was established in the PRC as a domestic company.

All companies now comprising the Group have adopted 31 December as the financial year end date.

The statutory financial statements for the year ended 31 December 2008 and 2009 of Shanghai Yintong and Lucky Consultants were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

The statutory financial statements of Lucky Target and Wyndnsfield Resources for the year ended 31 December 2008 and 2009 and Vigo Investment for the period ended 31 December 2009 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory auditors of the above companies during the Track Record Periods are as follows:

Name of company	Financial period	Statutory auditors (Note i)
Shanghai Yintong	Year ended 31 December 2008 and 2009	Shanghai Hddy Certified Public Accountants Company Limited (上海宏大東亞會計師事務所有限公司) <i>Registered in the PRC</i>
Lucky Consultants	Year ended 31 December 2008 and 2009	Shanghai Hddy Certified Public Accountants Company Limited (上海宏大東亞會計師事務所有限公司) <i>Registered in the PRC</i>
Lucky Target	Year ended 31 December 2008 Year ended 31 December 2009	Mundell Certified Public Accountants SHINEWING (HK) CPA Limited
Wyndsfild Resources	Year ended 31 December 2008 and 2009	SHINEWING (HK) CPA Limited
Vigo Investment	Period ended 31 December 2009	SHINEWING (HK) CPA Limited

Note i: The English translation name is for reference only. The official names of these entities are in Chinese.

No statutory financial statements for the seven months ended 31 July 2010 were prepared for Shanghai Yintong, Lucky Consultants, Lucky Target, Wyndsfild Resources and Vigo Investment as there is no such statutory requirement.

No audited financial statements have been prepared for Ever Step, Easy Value, Measure Up and Baokang Guarantee as they either have not carried out any business since their respective dates of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all the relevant transactions of these companies since their respective dates of incorporation or establishment to the date of this report and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group on the basis set out in note 1 below, after making such adjustments as appropriate. Adjustments have been made, for the purpose to this report, to restate these financial statements to conform with the accounting policies as sated in note 3 below to conform with HKFRS issued by HKICPA and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. HKFRSs include Hong Kong Accounting Standards and interpretations.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Track Record Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 31 July 2010.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the auditors' judgment, including the assessment of the risk material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, for the purpose of this report and on the basis of preparation set out in note 1 below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2008 and 2009 and 31 July 2010, and of the Company as at 31 July 2010 and of the consolidated results and consolidated cash flows of the Group for the Track Record Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the seven months ended 31 July 2009 together with the notes thereto have been extracted from the Group's financial information for the same period (the "31 July 2009 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 July 2009 Financial Information in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA. Our review of the 31 July 2009 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 July 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 July 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRS.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December		Seven months ended	
		2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Turnover	7	<u>12,385</u>	<u>30,446</u>	<u>8,266</u>	<u>53,592</u>
Interest income	7	11,287	29,612	7,877	25,127
Interest expenses	10	(765)	(3,238)	(1,142)	(2,106)
Net interest income		<u>10,522</u>	<u>26,374</u>	<u>6,735</u>	<u>23,021</u>
Financial consultancy fee income	7	<u>1,098</u>	<u>834</u>	<u>389</u>	<u>28,465</u>
		<u>11,620</u>	<u>27,208</u>	<u>7,124</u>	<u>51,486</u>
Other income	9	1,544	1,829	1,191	1,678
Administrative and other operating expenses		(5,033)	(8,605)	(4,634)	(10,676)
Profit before tax	11	<u>8,131</u>	<u>20,432</u>	<u>3,681</u>	<u>42,488</u>
Income tax	12	(1,930)	(4,880)	(897)	(11,318)
Profit for the year/period		<u>6,201</u>	<u>15,552</u>	<u>2,784</u>	<u>31,170</u>
Other comprehensive income:					
Exchange differences on translating foreign operations		<u>361</u>	<u>67</u>	<u>50</u>	<u>41</u>
Total comprehensive income for the year/period		<u>6,562</u>	<u>15,619</u>	<u>2,834</u>	<u>31,211</u>
Profit for the year/period attributable to:					
Owners of the Company		<u>3,694</u>	<u>15,552</u>	<u>2,784</u>	<u>31,170</u>
Non-controlling interests		<u>2,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>6,201</u>	<u>15,552</u>	<u>2,784</u>	<u>31,170</u>
Total comprehensive income for the year/period attributable to:					
Owners of the Company		<u>4,055</u>	<u>15,619</u>	<u>2,834</u>	<u>31,211</u>
Non-controlling interests		<u>2,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>6,562</u>	<u>15,619</u>	<u>2,834</u>	<u>31,211</u>
Earnings per share (RMB)					
Basic and diluted	14	<u>0.23 cents</u>	<u>0.97 cents</u>	<u>0.17 cents</u>	<u>1.95 cents</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group		The Company
		As at 31 December	As at 31 July	As at 31 July
		2008	2009	2010
	Notes	RMB'000	RMB'000	RMB'000
Non-current assets				
Investment in a subsidiary	15	–	–	–
Plant and equipment	16	643	609	699
Deposit for acquisition of plant and equipment		–	–	219
		<u>643</u>	<u>609</u>	<u>918</u>
Current assets				
Other assets	17	449	138	170
Loan receivables	18	30,884	131,693	242,125
Prepayments and other receivables	18	4,812	2,902	1,202
Amount due from a subsidiary	15	–	–	–
Property held for sale	19	–	2,996	2,996
Bank balance and cash	20	15,329	43,499	22,417
		<u>51,474</u>	<u>181,228</u>	<u>268,910</u>
Current liabilities				
Accruals and other payables	21	2,705	11,983	9,282
Deposits received	22	6,402	77,000	136,000
Amount due to a controlling shareholder	23	7,094	18,546	15
Amount due to a related party	23	5,000	–	–
Borrowings	24	2,000	40,000	29,000
Dividends payable		2,589	–	–
Income tax payables		1,447	4,809	10,965
		<u>27,237</u>	<u>152,338</u>	<u>185,262</u>
Net current assets		<u>24,237</u>	<u>28,890</u>	<u>83,648</u>
Total assets less current liabilities		<u>24,880</u>	<u>29,499</u>	<u>84,566</u>
Non-current liabilities				
Borrowings	24	11,000	–	–
Deferred tax liabilities	25	–	–	275
		<u>11,000</u>	<u>–</u>	<u>275</u>
Net assets		<u>13,880</u>	<u>29,499</u>	<u>84,291</u>
Capital and reserves				
Share capital	26	28,500	40,000	–
Reserves	27	(20,293)	(10,501)	84,291
		<u>8,207</u>	<u>29,499</u>	<u>84,291</u>
Non-controlling interests		5,673	–	–
Total equity		<u>13,880</u>	<u>29,499</u>	<u>84,291</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve	(Accumulated losses)/ retained profits	Exchange reserve	Capital reserve	Special reserve	Total Equity	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note (a))				(Note (b))			
At 1 January 2008	22,500	-	219	(22,543)	1,010	-	-	1,186	6,132	7,318
Total comprehensive income for the year	-	-	-	3,694	361	-	-	4,055	2,507	6,562
Purchase of additional interest in a subsidiary	6,000	-	-	-	-	(3,034)	-	2,966	(2,966)	-
Appropriation to statutory reserve funds	-	-	431	(431)	-	-	-	-	-	-
At 31 December 2008	28,500	-	650	(19,280)	1,371	(3,034)	-	8,207	5,673	13,880
Total comprehensive income for the year	-	-	-	15,552	67	-	-	15,619	-	15,619
Purchase of remaining interest in a subsidiary	11,500	-	-	-	-	(5,827)	-	5,673	(5,673)	-
Appropriation to statutory reserve funds	-	-	960	(960)	-	-	-	-	-	-
At 31 December 2009	40,000	-	1,610	(4,688)	1,438	(8,861)	-	29,499	-	29,499
Total comprehensive income for the period	-	-	-	31,170	41	-	-	31,211	-	31,211
Arising on the Reorganisation	(40,000)	-	-	-	-	-	40,000	-	-	-
Issue of subscribed shares to a new shareholder, net of share issue expenses (Note 26 (e))	-	23,581	-	-	-	-	-	23,581	-	23,581
At 31 July 2010	-	23,581	1,610	26,482	1,479	(8,861)	40,000	84,291	-	84,291
Unaudited										
At 1 January 2009	28,500	-	650	(19,280)	1,371	(3,034)	-	8,207	5,673	13,880
Total comprehensive income for the period	-	-	-	2,784	50	-	-	2,834	-	2,834
Purchase of remaining interest in a subsidiary	11,500	-	-	-	-	(5,827)	-	5,673	(5,673)	-
At 31 July 2009	40,000	-	650	(16,496)	1,421	(8,861)	-	16,714	-	16,714

(a) Statutory reserve

In accordance with the relevant regulations applicable in the PRC, companies now comprising the Group established in the PRC are required to transfer at least 10% of their statutory annual profits after tax in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of directors of the respective PRC companies.

(b) Special reserve

The amount represents the difference between the aggregate amount of paid-in capital of Ever Step and Shanghai Yintong and the amount of share capital of the Company issued to Kaiser Capital Holdings Limited ("Kaiser Capital") and Jiefang Media (UK) Co. Limited ("Jiefang Meida") in 2010 in exchange for the entire equity interests in the above companies as part of the Reorganisation and recorded in special reserve.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended 31 December		Seven months ended 31 July	
	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
			(Unaudited)	
OPERATING ACTIVITIES				
Profit before tax	8,131	20,432	3,681	42,488
Adjustments for:				
Impairment losses on loan receivables	350	–	–	–
Depreciation	472	281	188	96
Interest expenses	765	3,238	1,142	2,106
Bank interest income	(53)	(117)	(34)	(104)
Written off of plant and equipment	47	–	–	4
Operating cash inflows before movements in working capital	9,712	23,834	4,977	44,590
(Increase)/decrease in other assets	(449)	311	275	(32)
Decrease/(increase) in loan receivables	6,805	(100,809)	(44,390)	(110,432)
Decrease/(increase) in prepayments and other receivables	102	(1,590)	923	1,700
(Decrease)/increase in accruals and other payables	(9,289)	9,278	6,499	(2,701)
Increase/(decrease) in deposits received	1,202	74,098	(2,402)	59,000
Cash generated from/(used in) operations	8,083	5,122	(34,118)	(7,875)
Income tax paid	(1,286)	(1,518)	(1,517)	(4,887)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	6,797	3,604	(35,635)	(12,762)

	Year ended 31 December		Seven months ended 31 July	
	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
			(Unaudited)	
INVESTING ACTIVITIES				
Deposit paid for acquisition of plant and equipment	–	–	–	(219)
Purchase of property held for sale	–	(2,996)	–	–
Purchase of plant and equipment	(148)	(247)	(225)	(190)
Bank interest income received	53	117	34	104
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES	(95)	(3,126)	(191)	(305)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FINANCING ACTIVITIES				
New borrowings raised	13,000	40,000	40,000	–
Repayment of borrowings	(11,000)	(13,000)	–	(11,000)
Interest paid	(765)	(3,238)	(1,142)	(2,106)
Proceeds from issue of shares, net of share issue expenses	–	–	–	23,581
Repayment to a related party	–	(5,000)	(5,000)	–
Advance from a related company	6,300	–	–	–
Dividends paid	(923)	(2,589)	(2,589)	–
Advance from/(repayment to) a controlling shareholder	8	11,519	5	(18,490)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	6,620	27,692	31,274	(8,015)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,322	28,170	(4,552)	(21,082)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,007	15,329	15,329	43,499
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER/31 JULY, represented by bank balances and cash	15,329	43,499	10,777	22,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

B. NOTES TO THE FINANCIAL INFORMATION**1. BASIS OF PREPARATION OF FINANCIAL INFORMATION**

Shanghai Yintong, which is ultimately controlled by Mr. Shi Zhi Jun and Shanghai Xinhua Publishing Group Limited (“Xinhua Publishing”) (the “Controlling Shareholders”), is engaged in the pawn loans business during the Track Record Periods. Pursuant to the Reorganisation as detailed in the section “Structure Contracts” headed “History and Reorganisation” in the Prospectus, Shanghai Yintong has transferred its pawn loans business, together with related assets and liabilities to Lucky Consultants. In addition, Lucky Consultants entered into certain agreements (the “Structure Contracts”) with Shanghai Yintong and its equity holders on 25 February 2010, as part of the Reorganisation.

The details of the Structure Contracts effective on 25 February 2010 are disclosed in the section “Structure Contracts” headed “History and Reorganisation” in the Prospectus. The Structure Contracts, taken as a whole, permit the financial results of Shanghai Yintong and economic benefits of its business to flow to Lucky Consultants. In addition, all the directors in Shanghai Yintong shall be assigned by Lucky Consultants. Through its control over Shanghai Yintong, Lucky Consultants is able to monitor, supervise and effectively control Shanghai Yintong’s business, operations and financial policies so as to ensure and facilitate the implementation of the Structure Contracts. The Structure Contracts also enable Lucky Consultants to control over and to acquire the equity interests and/or net assets of Shanghai Yintong at the lowest possible value and at such time as permitted by the relevant PRC laws and regulations with an undertaking from the Controlling Shareholders to provide Lucky Consultants with all consideration received pursuant to any such acquisition. Based on the Structure Contracts, directors of the Group believe that, notwithstanding the lack of equity ownership, Lucky Consultants is entitled to control over Shanghai Yintong’s businesses in substance. Accordingly, the financial position and operating results of Shanghai Yintong are included in the Group’s consolidated financial statements.

In preparation for the listing of the shares of the Company on the GEM of the Stock Exchange and for the purpose of rationalising the Group’s structure, the Company acquired the entire interests in Lucky Target, the intermediate holding company of the companies now comprising the Group as at 25 February 2010, from the Controlling Shareholders.

Following the Reorganisation, the pawn loans business had been transferred to the companies now comprising the Group. As the Controlling Shareholders which controlled the Group before and after the Reorganisation are the same, the Financial Information has been prepared as a reorganisation of businesses under common control in a manner similar to pooling of interests.

The Financial Information presents the consolidated results and financial position of the Group as if the current group structure had been in existence throughout the Track Record Periods and as if the pawn loans business was transferred to the Group at the beginning of the earliest period presented. All material intra-group transactions and balances have been eliminated on combination.

The Financial Information is presented in Renminbi (“RMB”), which is the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information of the Track Record Periods, the Group has consistently adopted all the HKFRSs, issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2010.

The Group applied HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As part of the Reorganisation, the Group acquired Lucky Target, Lucky Consultants, Vigo Investment and Wyndsfield Resources in 2010 in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, however, as the Financial Information presents the consolidated results and financial position of the Group as if the current group structure had been in existence throughout the Track Record Periods and as if the pawn loans business was transferred to the Group at the beginning of the earliest period presented, HKFRS 3 (Revised) and HKAS 27 (Revised) were not adopted. Except for above acquisitions, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the Financial Information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ⁶
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues ¹
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁴
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Fundings Requirement ³
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 February 2010.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 July 2011.

⁶ Amendments those are effective for annual periods beginning on or after 1 July 2010 or 1 January, 2011, as appropriate.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In the opinion of management, the application of HKFRS9 will have a material effect on the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no significant impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Periods are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling Interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests' in excess of the non-controlling interests' interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interests' has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's statement of financial position, its investment in a subsidiary is stated at cost, less impairment losses, if any.

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, the combined financial information incorporates the financial information of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholders.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group transactions, balances, income and expenses are eliminated.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of plant and machinery is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition of the asset (calculating as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as 'Other assets'.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Track Record Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including loan receivables, other receivables, amount due from a subsidiary and bank balance and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For certain categories of financial asset, such as loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, including accruals and other payables, deposits received, amount due to a controlling shareholder, amount due to a related party, borrowings and dividends payable, are subsequently measured at the amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Properties held for sale

Properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the properties are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Properties held for sale are measured at the lower of cost and fair value less costs to sell.

Retirement benefit costs

Payments to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business net of sale related taxes.

Financing consultancy service fee income is recognised when the services are rendered.

Rental income is recognised in accordance with the Group's accounting policy for operating leases. (See the accounting policy below)

Interest income from financing service and a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economy environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-currency items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which cases, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss in for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into presentation currency of the Group (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses on loan receivables

The provisioning policy for impairment of loan receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgements. A considerable amount of judgement is required in assessing the ultimate realisation of these customers, if applicable including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision on impairment may be required. During the year ended 31 December 2008, impairment loss of approximately RMB350,000 had been provided, and no impairment loss had been provided for the year ended 31 December 2009 and seven months ended 31 July 2009 and 2010.

Loan receivables mainly include financing advances provided to customers being secured by real estate. Apart from assessing the financial positions of customers, the management further reviews value of the pledged real estate by reference to recent market transactions in comparable properties. If the market value of secured real estate was deteriorated and was below the carrying amount of the corresponding financing advances, provision on impairment may be required.

5. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, net debt is defined as all borrowings, less bank balance and cash and capital comprises all components of equity.

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings	13,000	40,000	29,000
Less: Bank balance and cash	(15,329)	(43,499)	(22,417)
Net debt	N/A	N/A	6,583
Total equity	13,880	29,499	84,291
Net debt-to-capital ratio	N/A	N/A	7.8%

The directors of the Company review the capital structure regularly. As part of the review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts, the repayment of existing debts, payment of dividend and issuance of new shares. The Group's overall strategy remains unchanged over the Track Record Periods.

6. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	The Group		The Company	
	As at 31 December	As at 31 July	As at 31 July	As at 31 July
	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including bank balance and cash)	51,025	178,094	265,270	21,420
Financial liabilities				
Amortised costs	36,790	147,529	170,339	1,905

The Group's major financial instruments include loan receivables, other receivables, bank balance and cash, accruals and other payables, deposits received, amount due to a controlling shareholder, amount due to a related party, borrowings and dividends payable. Details of the financial instruments are disclosed in respective notes. The Company's major financial instruments include amount due from a subsidiary and accruals and other payables. The risks associated with these financial instruments include credit risk, market risk (including interest risk and foreign currency risk), liquidity risk and foreign currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

b) Credit risk

The Group's credit risk is primarily attributable to loan receivables. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

In respect of loan receivables, representing financing advances to customers under the Group's pawn loans business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

98%, 99% and 99% of all financing advances given out at 31 December 2008, 31 December 2009 and 31 July 2010 respectively are backed by real estate situated in Shanghai, the PRC, as security. The Group also focuses on identifying legal ownership and the valuation of the real estate collaterals. An advance given out is based on the value of collaterals and is in general approximately 40% – 60% of the estimated value of the collaterals. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Advances to customers are due as at the due date of corresponding loan agreement.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 25%, 28% and 31% of the total loan receivables as at 31 December 2008, 31 December 2009 and 31 July 2010 was due from the Group's largest loan receivable and 46%, 84% and 84% of the total loan receivables as at 31 December 2008, 31 December 2009 and 31 July 2010 respectively was due from the Group's five largest customers respectively for the Group's pawn loans business.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit standing.

The maximum exposure to credit risk without taking account of the collateral held is represented by the carrying amount of loan receivables as at 31 December 2008, 31 December 2009 and at 31 July 2010 deducting any impairment. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan receivables is set out in note 18.

c) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial instruments, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group will be required to pay. The table includes both interest and principal cash flows.

*Liquidity risk tables***The Group**

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2008					
Accruals and other payables	-	2,705	-	2,705	2,705
Deposits received	-	6,402	-	6,402	6,402
Amount due to a controlling shareholder	-	7,094	-	7,094	7,094
Amount due to a related party	-	5,000	-	5,000	5,000
Borrowings	7.37% – 8.36%	2,926	11,543	14,469	13,000
Dividends payable	-	2,589	-	2,589	2,589
		<u>26,716</u>	<u>11,543</u>	<u>38,259</u>	<u>36,790</u>
As at 31 December 2009					
Accruals and other payables	-	11,983	-	11,983	11,983
Deposits received	-	77,000	-	77,000	77,000
Amount due to a controlling shareholder	-	18,546	-	18,546	18,546
Borrowings	5.94% – 12.00%	42,176	-	42,176	40,000
		<u>149,705</u>	<u>-</u>	<u>149,705</u>	<u>147,529</u>
As at 31 July 2010					
Accruals and other payables	-	5,324	-	5,324	5,324
Deposits received	0.29%	136,174	-	136,174	136,000
Amount due to a controlling shareholder	-	15	-	15	15
Borrowings	12.00%	32,074	-	32,074	29,000
		<u>173,587</u>	<u>-</u>	<u>173,587</u>	<u>170,339</u>

The Company

The Company's contractual maturity for all of its financial liabilities and the undiscounted cash flows of financial liabilities are within one year or on demand.

d) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its loan receivables, bank balances, deposits received and borrowings. Bank balances, deposits received and borrowings at variable rates expose the Group to cash flow interest-rate risk, while loan receivable at fixed rates expose the Group to fair value interest-rate risk.

The Group's loan receivables, bank balances, deposits received, borrowings and interest rates as at 31 December 2008, 31 December 2009 and 31 July 2010 are set as below:

	Interest rate	At 31 December		At 31 July
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Fixed rate loan receivables	3.00% – 5.00% per month	30,884	131,693	242,125
Fixed rate borrowings	12.00% p.a.	–	29,000	29,000
Variable rate bank balances	0.01% – 0.72% p.a.	15,329	43,499	22,417
Variable rate deposits received	0.29% p.a.	–	–	136,000
Variable rate borrowings	5.94% – 8.30% p.a.	13,000	11,000	–

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and borrowings, the analysis is prepared assuming the bank balances were netted to borrowings at the end of each reporting period and net balance was outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

50 basis points have been used for variable rate bank balances while 100 basis points have been used for variable-rate borrowings.

For variable-rate bank balances, if the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would increase/decrease by RMB77,000, RMB217,000 and RMB112,000 as of 31 December 2008, 31 December 2009 and 31 July 2010 respectively.

For variable-rate deposits received, if the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by RMB68,000 as of 31 July 2010. There were no variable-rate deposits received as at 31 December 2008 and 31 December 2009.

For variable-rate borrowings, if the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by RMB130,000 and RMB110,000 as of 31 December 2008 and 2009 respectively. There were no variable-rate borrowings outstanding as at 31 July 2010.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at 31 December 2008, 31 December 2009 and 31 July 2010 and had been applied to the exposure to interest risk for financial investments in existence at those dates. The analysis has been performed on the same basis throughout the Track Record Periods.

e) **Foreign currency risk**

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

As most of the Group's and the Company's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the opinion of the directors of the Company, since the currency risk is minimal, no sensitivity analysis is presented.

Fair value

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values due to their short-term maturities.

The directors of the company consider the fair values of the other non-current liabilities approximate their carrying amounts as the impact of discounting is not significant.

7. TURNOVER

The principal activities of the Group are provision of pawn loans services and financing consultancy services.

Turnover represents interest income (either from real estate pawn loans, entrusted loans or personal property pawn loans) and financial consultancy service income, net of corresponding sales related taxes. The amount of each significant category of revenue recognised in turnover during the two years ended 31 December 2009 and the seven months ended 31 July 2009 and 2010 are as follows:

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
<i>Interest income</i>				
Real estate pawn loans service income				
– Administration fee income (<i>Note a</i>)	8,797	19,282	5,786	4,466
– Interest income	2,183	9,983	1,982	668
Entrusted loans service income				
– Administration fee income (<i>Note b</i>)	–	58	–	4,996
– Interest income	–	107	–	14,914
Personal property pawn loans service income				
– Administration fee income (<i>Note c</i>)	281	164	99	76
– Interest income	26	18	10	7
	<u>11,287</u>	<u>29,612</u>	<u>7,877</u>	<u>25,127</u>
<i>Financial consultancy service income</i>	<u>1,098</u>	<u>834</u>	<u>389</u>	<u>28,465</u>
Turnover	<u><u>12,385</u></u>	<u><u>30,446</u></u>	<u><u>8,266</u></u>	<u><u>53,592</u></u>

Note a: The balance represents administration fee income received in relation to the real estate pawn loans services provided.

Note b: The balance represents administration fee income received in relation to the entrusted loans services provided.

Note c: The balance represents administration fee income received in relation to the personal property pawn loans services provided.

8. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the provision of financing services in the PRC. The Group does not operate in any other geographical or business segment during the Track Record Periods.

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the two years ended 31 December 2009 and the seven months ended 31 July 2009 and 2010 are as follows:

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Customer A	2,060	N/A	N/A	N/A
Customer B	N/A	6,750	N/A	*
Customer C	N/A	4,499	2,121	*
Customer D	N/A	3,592	N/A	N/A
Customer E	N/A	3,262	N/A	5,370
Customer F	N/A	*	1,120	*
Customer G	N/A	N/A	N/A	8,085
Customer H	N/A	N/A	N/A	7,880
Customer I	N/A	N/A	N/A	8,417

* Less than 10%

9. OTHER INCOME

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Government grant (<i>note</i>)	221	360	360	630
Sub-leased rental income	1,263	1,195	680	900
Net gain of disposal of other assets	3	157	117	44
Bank interest income	53	117	34	104
Others	4	–	–	–
	<u>1,544</u>	<u>1,829</u>	<u>1,191</u>	<u>1,678</u>

Note: Government grants in respect of encouragement of expansion of enterprise and were recognised at the time the Group fulfilled the relevant granting criteria.

10. INTEREST EXPENSES

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Interest on borrowings wholly repayable within five years	765	3,238	1,142	2,095
Interest on deposits received	–	–	–	11
	<u>765</u>	<u>3,238</u>	<u>1,142</u>	<u>2,106</u>

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging	Year ended 31 December		Seven months ended 31 July	
	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
(a) Staff costs, including directors' remuneration				
Salaries, wages and other benefits	1,173	2,703	1,547	3,212
Contribution to defined contribution retirement benefits scheme (note 30)	122	135	88	125
	<u>1,295</u>	<u>2,838</u>	<u>1,635</u>	<u>3,337</u>
(b) Other items				
Auditors' remuneration	18	13	–	1,316
Impairment losses on loan receivables (included in administrative and other operating expenses)	350	–	–	–
Depreciation	472	281	188	96
Operating lease charges in respect of properties	1,487	2,095	1,174	1,799
Written off of plant and equipment	47	–	–	4

12. INCOME TAX

(a) Taxation in the consolidated statement of comprehensive income represented:

Current tax:	Year ended 31 December		Seven months ended 31 July	
	2008 RMB'000	2008 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Provision for PRC income tax	1,930	4,880	897	11,043
Deferred tax (Note 25)	–	–	–	275
	<u>1,930</u>	<u>4,880</u>	<u>897</u>	<u>11,318</u>

(i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision for Hong Kong Profits Tax has been made for subsidiaries established in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during the two years ended 31 December 2009 and the seven months ended 31 July 2009 and 2010.

(iii) Profits of the subsidiaries established in the PRC are subject to PRC income tax.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which took effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to the Group's entities established in the PRC, either as domestic or foreign enterprises, have been unified at 25% during the two years ended 31 December 2009 and the seven months ended 31 July 2009 and 2010. Foreign enterprises enjoy a gradual increase in tax rate from 15% in 2007 to 25% in 2012.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Profit before tax	8,131	20,432	3,681	42,488
Notional tax on profit before taxation, calculated at the respective rates applicable in the PRC	2,001	4,892	909	10,203
Tax effect of expenses not deductible for tax purpose	104	20	20	840
Tax effect of deductible temporary difference not recognised	(84)	–	–	–
Utilisation of tax losses previously not recognised	(91)	(32)	(32)	–
Tax effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	–	–	–	275
Income tax	1,930	4,880	897	11,318

13. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

Details of directors' remuneration are as follows:

	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contribution to retirement benefits scheme RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Year ended 31 December 2008					
<i>Executive directors:</i>					
Mr. Shi Zhijun	-	53	-	10	63
Mr. Ji Zuguang	-	106	36	7	149
Total	-	159	36	17	212
Year ended 31 December 2009					
<i>Executive directors:</i>					
Mr. Shi Zhujun	-	123	-	10	133
Mr. Ji Zuguang	-	113	36	12	161
Total	-	236	36	22	294
Seven months ended 31 July 2009 (Unaudited)					
<i>Executive directors:</i>					
Mr. Shi Zhijun	-	72	-	-	72
Mr. Ji Zuguang	-	60	21	-	81
Total	-	132	21	-	153
Seven months ended 31 July 2010					
<i>Executive directors:</i>					
Mr. Shi Zhujun	-	286	4	-	290
Mr. Ji Zuguang	-	290	13	-	303
Ms. Shen Li (appointed on 4 January 2010)	-	610	19	-	629
Total	-	1,186	36	-	1,222

The discretionary bonuses are determined with reference to the operating results and individual performance.

No directors waived or agreed to waive any emolument paid by the Group during the two years ended 31 December 2009 and the seven months ended 31 July 2009 and 2010. No emoluments were paid by the Group to any directors as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Periods.

(b) Individual with highest emoluments

The five highest paid individuals of the Group include 2 directors for the year ended 31 December 2008 and 2009 and for the seven months ended 31 July 2009 and 3 directors for the seven months ended 31 July 2010, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining 3 and 2 highest paid individuals of the Group, which are individually below RMB1,000,000 for the year ended 31 December 2008 and 2009 and seven months ended 31 July 2009, and seven months ended 31 July 2010 respectively are as follows:

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances, and other benefits	355	1,225	856	1,251
Contribution to defined contribution retirement scheme	21	35	20	12
Discretionary bonuses	9	68	–	–
	<u>385</u>	<u>1,328</u>	<u>876</u>	<u>1,263</u>

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2009 and the seven months ended 31 July 2009 and 2010.

14. EARNINGS PER SHARE

The calculation of basic earnings per share during the two years ended 31 December 2009 and the seven months ended 31 July 2009 and 2010 is based on the profit attributable to the owners of the Company during the Track Record Periods and the 1,600,000,000 shares in issue and issuable, comprising 1,200,000,000 shares in issue as at the date of Prospectus and 400,000,000 shares to be issued pursuant to the placing as detailed in the section headed "Structure of the Placing" in the Prospectus, as if the shares were outstanding throughout the entire Track Record Periods.

There were no dilutive potential ordinary shares during the two years ended 31 December 2008 and 2009 and the seven months ended 31 July 2009 and 2010 and, therefore, diluted earnings per share are not presented.

15. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM A SUBSIDIARY

The Company	As at 31 July 2010
Unlisted investments, at cost	<u>RMB7</u>

The details of the subsidiary are set out as follows:

Name of Company	Place and date of incorporation or establishment/operation	Issued and fully paid share capital/registered capital	Percentage of equity interest directly attributable to the Company	Principal activities
Ever Step	The BVI 7 December 2009	USD1/USD50,000	100%	Investment holding

The subsidiary had not issued any debt securities during the Track Record Periods and at the end of each reporting periods.

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

16. PLANT AND EQUIPMENT

	Office equipments <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
COST:				
At 1 January 2008	1,022	903	877	2,802
Additions	16	132	–	148
Written off	–	–	(466)	(466)
	<u>1,038</u>	<u>1,035</u>	<u>411</u>	<u>2,484</u>
At 31 December 2008 and 1 January 2009	1,038	1,035	411	2,484
Additions	62	185	–	247
	<u>1,100</u>	<u>1,220</u>	<u>411</u>	<u>2,731</u>
At 31 December 2009 and 1 January 2010	1,100	1,220	411	2,731
Additions	98	92	–	190
Written off	(88)	–	–	(88)
	<u>1,110</u>	<u>1,312</u>	<u>411</u>	<u>2,833</u>
At 31 July 2010	<u>1,110</u>	<u>1,312</u>	<u>411</u>	<u>2,833</u>
ACCUMULATED DEPRECIATION:				
At 1 January 2008	600	539	649	1,788
Charge for the year	164	168	140	472
Eliminated on written off	–	–	(419)	(419)
	<u>764</u>	<u>707</u>	<u>370</u>	<u>1,841</u>
At 31 December 2008 and 1 January 2009	764	707	370	1,841
Charge for the year	73	189	19	281
	<u>837</u>	<u>896</u>	<u>389</u>	<u>2,122</u>
At 31 December 2009 and 1 January 2010	837	896	389	2,122
Charge for the period	32	64	–	96
Eliminated on written off	(84)	–	–	(84)
	<u>785</u>	<u>960</u>	<u>389</u>	<u>2,134</u>
At 31 July 2010	<u>785</u>	<u>960</u>	<u>389</u>	<u>2,134</u>
NET BOOK VALUE:				
At 31 December 2008	<u>274</u>	<u>328</u>	<u>41</u>	<u>643</u>
At 31 December 2009	<u>263</u>	<u>324</u>	<u>22</u>	<u>609</u>
At 31 July 2010	<u>325</u>	<u>352</u>	<u>22</u>	<u>699</u>

Depreciation is recognised so as to write off the cost of plant and equipment less their residual value, if any, using the straight line method over their estimated useful lives as follows:

Office equipments	5 – 10 years
Leasehold improvements	over the lease term
Motor vehicles	5 years

17. OTHER ASSETS

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Reprocessed assets	449	138	170

Reprocessed assets represent collaterals – personal property, being forfeited by the Groups' pawn loans services customers, which are carried at the lower of cost and net realisable value.

18. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	As at 31 December		As at 31 July	As at 31 July
	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Loan receivables				
Pawn loans to customers	31,234	31,043	28,898	–
Entrusted loans to customers	–	101,000	213,500	–
Less: Impairment loss (<i>Note 18(b)</i>)	(350)	(350)	(273)	–
	30,884	131,693	242,125	–
Prepayments and other receivables				
Non-trade nature prepayments and other receivables	4,812	2,902	1,202	222
	35,696	134,595	243,327	222

The pawn loans to customers arising under the Group's pawn loans business had average loan period of 90 days. The loans provided to customers bore fixed interest rate ranging from 2.2% to 4.5%, 2.5% to 6% and 3% to 4.8% per month in 2008, 2009 and 2010 respectively and were repayable according to the loan agreements. Included in the gross balances are loans of approximately RMB30,759,000, RMB131,700,000 and RMB242,093,000 as at 31 December 2008, 31 December 2009 and 31 July 2010 secured by real estate in the PRC respectively and RMB475,000, RMB343,000 and RMB305,000 as at 31 December 2008, 31 December 2009 and 31 July 2010 secured by personal property respectively.

Included in the loan receivables as at 31 July 2010, approximately RMB213,500,000 represented entrusted loans to customers through China Construction Bank Shanghai Branch and Bank of Ningbo Shanghai Branch.

Included in the loan receivables as at 31 December 2009, RMB101,000,000 represented entrusted loans to customers through China Construction Bank Shanghai Branch and Bank of Ningbo Shanghai Branch.

As at 31 December 2008 and 2009 and at 31 July 2010, approximately RMB19,359,000, RMB29,700,000 and RMB54,775,000 represented loan receivables attributable to loans renewals, respectively.

As at 31 December 2008, 31 December 2009 and 31 July 2010, the Group held collateral with value of approximately RMB102,805,000, RMB580,610,000 and RMB1,795,751,000 respectively in total over the financial advances to customers.

(a) Ageing analysis

The following table illustrates ageing analysis of loan receivables (net of impairment loss) as of the end of the reporting period:

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 3 months	29,325	131,693	186,185
More than 3 months but less than 6 months	–	–	55,940
More than 6 months but less than 12 months	1,250	–	–
More than 12 months	309	–	–
	<u>30,884</u>	<u>131,693</u>	<u>242,125</u>

The Group's financial advances to customers included in the loan receivables are due as of the due date specified in respective loan agreements. Further details on the Group's credit policy are set out in note 6.

(b) Impairment of loan receivables

The movement of impairment loss of loan receivables during the Track Record Periods is as follows:

	RMB'000
At 1 January 2008	–
Impairment loss recognised in 2008	<u>350</u>
At 31 December 2008, 1 January 2009 and 31 December 2009	350
Amounts written off as uncollectible	<u>(77)</u>
At 31 July 2010	<u><u>273</u></u>

Included in the impairment of loan receivables are individually impaired loan receivable with an amount of RMB350,000, RMB350,000 and RMB273,000 for the year ended 31 December 2008 and 2009 and seven months ended 31 July 2010, respectively. The individually impaired receivables related to a deceased customer and management assessed that the entire receivable is expected to be irrecovered. Consequently, impairment loss of RMB350,000 was recognised during the year ended 31 December 2008.

(c) Loan receivables that are not impaired

The ageing analysis of loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	<u>14,290</u>	<u>131,693</u>	<u>242,125</u>
Less than 1 month past due	5,335	–	–
1 to 3 months past due	–	–	–
More than 3 months but less than 6 months past due	9,700	–	–
More than 6 months but less than 12 months past due	<u>1,559</u>	<u>–</u>	<u>–</u>
Total	<u><u>30,884</u></u>	<u><u>131,693</u></u>	<u><u>242,125</u></u>

Loan receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have strong financial background. Management believes no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group holds collateral amounting to approximately RMB102,805,000, RMB580,610,000 and RMB1,795,751,000 over these balances as at 31 December 2008, 31 December 2009 and 31 July 2010 respectively.

19. PROPERTY HELD FOR SALE

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Property held for sale, at cost	–	2,996	2,996

The property held for sale represents an office premise real estate property situated in Shanghai, the PRC.

20. BANK BALANCE AND CASH

Bank balances carry interest at market rates range from 0.36% to 0.72% per annum as at 31 December 2008, 0.01% to 0.36% per annum as at 31 December 2009 and 0.01% to 0.36% per annum as at 31 July 2010.

21. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	As at 31 December		As at 31 July	As at 31 July
	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accrued expenses	2,705	1,564	5,324	1,905
Financing services income receipts in advance	–	7,891	3,958	–
Consultancy income receipts in advance	–	2,528	–	–
	<u>2,705</u>	<u>11,983</u>	<u>9,282</u>	<u>1,905</u>

Financing services income receipts in advance represents the deferred income arose a from the difference between loan receivables and the actual fund transferred to the customers at the inception of loan granted in accordance with the respective loan agreement and the deferred income will be recognised as interest income over the loan period.

Consultancy income receipts in advance represent service income received in advance in accordance with the respective agreement and will be recognised as income over the period of service.

22. DEPOSITS RECEIVED

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
豪景物業管理(上海)有限公司 (“豪景”)	6,402	–	–
Xinrong Asset Management Limited	–	77,000	136,000
新融資產管理有限公司 (“Xinrong Asset”)	–	77,000	136,000
	<u>6,402</u>	<u>77,000</u>	<u>136,000</u>

The balance represented the deposit received for acquisition of real estate situated in Shanghai, the PRC, on behalf of an independent third party, 豪景, and Xinrong Asset, the equity holder of Shanghai Yintong, respectively.

As at 31 December 2008 and 2009, the deposits would be the down payment for the acquisition of real estate which will be subsequently acquired by the aforementioned parties; if the aforementioned parties are not to acquire the real estate, the Group otherwise has to refund the entire amount of deposits to the aforementioned parties.

On 25 February 2010, Shanghai Yintong, a subsidiary of the Group, entered into a cooperation framework agreement with Xinrong Asset for the effective date from 1 January 2010 to 31 December 2010 in which the deposits would be the payment for the purchase of the Shanghai Yintong's right over collateral which will be subsequently acquired the real estate by Xinrong Asset; if Xinrong Asset is deemed to have renounced its right to purchase the relevant real estate, the Group otherwise has to refund the entire amount of deposits to the Xinrong Asset together with interest calculated at a rate equal to 80% of the interest rate for RMB saving accounts prescribed by the People's Bank of China during the relevant period. As at 31 July 2010, included in deposits received of RMB15,000,000 represented the deposits for the acquisition of real estate contracted in 2009 while the remaining balances of deposits received represented the deposits for the purchase of the Shanghai Yintong's right over collateral.

23. AMOUNT DUE TO A CONTROLLING SHAREHOLDER AND A RELATED PARTY

The amount due to a controlling shareholder, Mr. Shi, and a related party, Mr. Ting Pang Wan Raymond ("Mr. Ting") are unsecured, interest-free and repayable on demand. Mr. Ting is the brother-in-law of the controlling shareholder.

The amount due to a controlling shareholder, Mr. Shi will be fully settled prior to the listing of the Company.

24. BORROWINGS

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Unsecured bank loans	13,000	11,000	–
Entrusted loans (Note 32(iii))	–	29,000	29,000
	<u>13,000</u>	<u>40,000</u>	<u>29,000</u>

The loans were repayable as follows:

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
On demand or within one year	2,000	40,000	29,000
More than one year, but not exceeding two years	11,000	–	–
	<u>13,000</u>	<u>40,000</u>	<u>29,000</u>
Less: Amount due within one year, included as current liabilities	<u>(2,000)</u>	<u>(40,000)</u>	<u>(29,000)</u>
	<u>11,000</u>	<u>–</u>	<u>–</u>

The Group's borrowings are all denominated in RMB.

Further details on the interest rate of the Group's borrowings are set out in Note 6.

25. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the Track Record Periods are as follows:

	Withholding tax on undistributed profit of subsidiaries in PRC RMB'000
At 1 January 2010	–
Charge to profit or loss	275
	<hr/>
At 31 July 2010	275
	<hr/> <hr/>

At 31 December 2008, the Group has unused tax losses of approximately RMB160,000 available for offset against future profits. No deferred tax asset has been recognised in respect of the above tax losses due to the insignificant amount. All the tax losses were utilised during the year ended 31 December 2009. At 31 July 2010, there are no unused tax losses.

As at 31 December 2008, the Group had deductible temporary difference of RMB84,000. No deferred tax asset had been recognised in relation to such deductible temporary difference. As at 31 December 2009 and 31 July 2010, there have no unrecognised deductible temporary differences.

26. SHARE CAPITAL

The share capital of the Group at 31 December 2008 and 2009 represented the aggregate amount of paid-in capital of the Lucky Target, Vigo Investment, Lucky Consultants and Shanghai Yintong contributed by their equity holder which is the same as the owner of the Company.

The share capital of the Group at 31 July 2010 represented the issued and fully paid capital of the Company.

	Number of shares	Share capital
Authorised		
Ordinary shares of US\$1.00 each as at 4 January 2010	50,000	US\$50,000
Cancellation in the period (<i>Note (a)</i>)	(50,000)	(US\$50,000)
Increase in the period (<i>Note (b)</i>)	3,900,000	HK\$390,000
	<hr/>	<hr/>
Ordinary shares of HK\$0.1 each as at 31 July 2010	3,900,000	HK\$390,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid		
Ordinary shares of US\$1.00 each at date of incorporation (<i>Note (c)</i>)	1	US\$1
Repurchase of share (<i>Note (d)</i>)	(1)	(US\$1)
Issue of new shares on 25 February 2010 (<i>Note (e)</i>)	200	HK\$20
	<hr/>	<hr/>
Ordinary shares of HK\$0.1 each as at 31 July 2010	200	HK\$20
	<hr/> <hr/>	<hr/> <hr/>
		<i>RMB</i>
Presented as RMB		
Ordinary shares of HK\$0.1 each as at 31 July 2010		17
		<hr/> <hr/>

Notes:

- (a) Pursuant to an ordinary resolution passed in the meeting on 25 February 2010, the authorised share capital of the Company was decreased from US\$50,000 to Nil by the diminution of 50,000 ordinary shares of US\$1.00 each.
- (b) Pursuant to an ordinary resolution passed in the meeting on 25 February 2010, the authorised share capital of the Company was increased from Nil to HK\$390,000 by the creation of an additional 3,900,000 ordinary shares of HK\$0.1 each which rank pari passu with the existing shares in all respects.
- (c) Upon incorporation, the authorised share capital of the Company was US\$50,000 divided into 50,000 ordinary shares of US\$1 each, of which one subscriber share was allotted and issued at par to Codan Trust Company (Cayman) Limited as the sole subscriber. On 4 January 2010, one share was transferred from Codan Trust Company (Cayman) Limited to Mr. Shi Zhi Jun.
- (d) On 25 February 2010, the Company repurchased one of its own ordinary shares for a consideration of US\$1 from Mr. Shi Zhi Jun.
- (e) On 25 February 2010, 99 and 81 shares of the Company of HK\$0.1 each were allotted and issued to Kaiser Capital and Jiefang Media at par for cash, respectively.

On 25 February 2010, the Company allotted and issued 20 shares of the Company of HK\$0.1 each to Integrated Asset Management Limited ("Integrated Asset"), a limited liability company incorporated in the BVI and independent party not connected or related to the Group, for a consideration of HK\$1,600,000 per share which was mutually agreed by the Group and Integrated Asset, resulting to an aggregate amount of HK\$32,000,000 (equivalent to approximately RMB27,990,000). The net proceeds after net of share issue expenses were approximately HK\$26,959,000 (equivalent to approximately RMB23,581,000).

27. RESERVES OF THE COMPANY

	Share premium <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
Total comprehensive expenses for the period	–	(3,844)	(3,844)
Issue of subscribed shares to a new shareholder, net of share issue expenses (<i>Note 26(e)</i>)	23,581	–	23,581
At 31 July 2010	<u>23,581</u>	<u>(3,844)</u>	<u>19,737</u>

28. COMMITMENT**Operating lease arrangement**

As at 31 December 2008, 31 December 2009 and 31 July 2010, the Group was both the lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating lease are set out as follow:

- (i) *Lessee*

The Group leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of three months to two years. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year	1,550	2,027	3,118
In the second to fifth years inclusive	—	—	608
	<u>1,550</u>	<u>2,027</u>	<u>3,726</u>

(ii) *Lessor*

The Group sub-leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of two to three months. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year	<u>201</u>	<u>315</u>	<u>257</u>

29. CAPITAL COMMITMENT

	As at 31 December		As at 31 July
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	<u>—</u>	<u>—</u>	<u>119</u>

30. RETIREMENT BENEFITS SCHEMES

Employees of the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

There were no forfeited contributions utilised to offset employers' contributions for the year/period. The employers' contributions which have been dealt with in the consolidated statements of comprehensive income were as follows:

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Employers' contributions charged to the consolidated statements of comprehensive income	<u>122</u>	<u>135</u>	<u>88</u>	<u>125</u>

(unaudited)

At 31 December 2008, 31 December 2009 and 31 July 2010, there was no forfeited contribution available to reduce the contributions payable in the future years.

31. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2009, the amount of RMB 3,500,000 included in prepayments and other receivables in relation of receivable due from an independent third party was assigned by Shanghai Yintong to 豪景 to set off against the deposit received from 豪景.

32. RELATED PARTIES TRANSACTIONS**Significant related party transactions**

- (i) The Group paid rent fee to 上海錦翰投資發展有限公司 (Shanghai Jinhan Investment Development Limited) ("Jinhan Investment") as follows:

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Jinhan Investment	—	570	270	508

Mr. Shi Zhi jun, a director of the Company has beneficial interest in Jinhan Investment.

- (ii) The Group paid interest expense to Xinrong Asset as follows:

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Interest expense on entrusted loan from Xinrong Asset	—	2,284	560	2,049
Interest expense on deposits received	—	—	—	11
	—	2,284	560	2,060

- (iii) Non-recurring transactions:

On 21 December 2009, Shanghai Yintong entered into a sale and purchase agreement with Xinrong Asset, to dispose of loan receivables in respect of financing advances provided to a customer being secured by real estate at consideration of RMB 8,500,000, which has carrying value of RMB 7,700,000 as of the date of disposal. The difference of RMB 800,000 has been reported as the accrued interest on the loan receivables and recognised as turnover in the year ended 31 December 2009 accordingly.

The borrowings as at 31 December 2008 and 2009 amounting to RMB13,000,000 and RMB11,000,000 respectively was secured by pledge of plant and equipment owned by Jinhan Investment. The bank borrowing of RMB11,000,000 was subsequently repaid in January 2010, and the related pledge of plant and equipment of Jinhan Investment was released accordingly.

The borrowings as at 31 December 2009 and as at 31 July 2010 included an entrusted loan of RMB29,000,000 borrowed by Shanghai Yintong from Xinrong Asset through China Construction Bank Shanghai Branch. The directors of the Company expect the loan to be repaid in June 2011 according to the entrusted loan agreement.

The directors of the Company are of the opinion and based on the legal advice, the entrusted loan from Xinrong Asset is legal, valid and enforceable. The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms, and in the ordinary and usual course of business.

Key management personnel remuneration

	Year ended 31 December		Seven months ended 31 July	
	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Basic salaries, allowances and other benefits	514	1,461	988	2,437
Contribution to retirement benefit scheme	57	71	41	48
Discretionary bonuses	26	90	–	–
	<u>597</u>	<u>1,622</u>	<u>1,029</u>	<u>2,485</u>

33. ULTIMATE HOLDING COMPANY

The directors consider that the ultimate holding company of the Company as at the date of this report to be Kaiser Capital Holdings Limited, a company incorporated in the BVI.

C. SUBSEQUENT EVENTS

1. Share option scheme

Pursuant to the written resolution of the shareholders of the Company on 4 November 2010, the Company has conditionally adopted a Post-IPO Share Option Scheme and a Pre-IPO Share Option Scheme, details of which have been set out in sections headed “Post-IPO Share Option Scheme” and “Pre-IPO Share Option Scheme” respectively in Appendix VI to the Prospectus. Up to the date of this report, 64,000,000 options were granted under the Pre-IPO Share Option Scheme to subscribe for shares in the Company at HK\$0.3125 to directors of the Company or its subsidiaries. These options are exercisable over a period of five years commencing from the date of listing of shares of the Company on the Stock Exchange.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 July 2010.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report prepared by the reporting accountants of the Company, SHINEWING (HK) CPA LIMITED as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group ("Unaudited Pro Forma NTA") prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited is for illustrative purposes only, and is set out below to illustrate the effect of the Placing on the consolidated net tangible assets of the Group attributable to the owners of the Company as of 31 July 2010 as if the Placing had taken place on 31 July 2010.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 July 2010 or at any future dates following the Placing. It is prepared based on the consolidated net tangible assets of the Group as at 31 July 2010 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to the owners of the Company as at 31 July 2010 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Placing <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets attributable to the owners of the Company <i>RMB'000</i>	Unaudited pro forma adjusted net tangible assets per Share	
				<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on the Offer Price of HK\$0.68 per Share	<u>84,291</u>	<u>221,763</u>	<u>306,054</u>	<u>0.191</u>	<u>0.220</u>
Based on the Offer Price of HK\$0.78 per Share	<u>84,291</u>	<u>255,345</u>	<u>339,636</u>	<u>0.212</u>	<u>0.244</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of the Company as at 31 July 2010 are arrived based on audited consolidated net tangible assets of approximately RMB84,291,000 as at 31 July 2010 extracted from the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the placing of 400,000,000 placing shares of the Company are based on the Placing Price of HK\$0.68 and HK\$0.78 per Share, after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of the proceeds from any Shares that may be issued pursuant to the Over-allotment Option or the proceeds from the Shares that may be granted under the Pre-IPO Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Placing payable to the Company as described in note (2) and on the basis that a total of 1,600,000,000 Shares were in issue as at 31 July 2010 (but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or the Shares which may be issued upon exercise of the Pre-IPO Share Option Scheme).
- (4) The unaudited pro forma adjusted net tangible asset per Share is translated into HK\$ at exchange rate of RMB0.87 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) Details of valuation of the Group's property interests as at 30 September 2010 are set out in Appendix IV to this prospectus. The Group will not incorporate the revaluation surplus or deficit in its consolidated financial statements for the seven months ended 31 July 2010. It is the Group's accounting policy to state its properties held for sale at the lower of cost or fair value less costs to sell in accordance with the relevant HKASs, rather than at revalued amounts. With reference to the valuation of the Group's property interests as set out in Appendix IV to this prospectus, there was a revaluation surplus of the Group's properties of approximately RMB1,404,000. There would not be any additional depreciation charge on the properties held for sale if the revaluation surplus was incorporated in the Group's financial statements for the seven months ended 31 July 2010.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from the auditor and reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.



SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

15 November 2010

The Board of Directors
Credit China Holdings Limited
China Everbright Capital Limited
China Everbright Securities (HK) Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Credit China Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) (the “ Unaudited Pro Forma Financial Information”), which has been prepared by the directors of the Company (the “Directors”) solely for illustrative purposes, to provide information about how the placing of 400,000,000 placing shares of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated 15 November 2010 of the Company (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective responsibilities of the Directors and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information have been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 July 2010 or at any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the issue of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future Plans and Use of Prospects” as set out in the Prospectus.

Opinion

In our opinion:

- (a) The Unaudited Pro Forma Financial Information have been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

The forecast consolidated profit attributable to the equity holders of our Company for the year ending 31 December 2010 is set out in the section headed “Financial Information – Profit forecast” in this prospectus.

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated net profit attributable to owners of the Company for the year ending 31 December 2010 based on the audited consolidated results of our Group for the seven months ended 31 July 2010, the results shown in the unaudited management accounts for the two months ended 30 September 2010 and a forecast of results for the remaining three months ending 31 December 2010. The profit forecast has been presented on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarized in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus and on the assumptions prepared by our Directors:

- Due to the nature of pawn industry, with the demand of pawn loans representing the inherent risk of the industry, the Forecast may not be realised in accordance with the following assumptions;
- There will be no material change in existing political, legal, fiscal, market or economic conditions in the PRC or any other country or territory in which the Group currently operates or which are otherwise material to the Group’s business;
- There will be no changes in legislation, regulations or rules in the PRC or any other country or territory in which the Group operates or with which the Group has arrangements or agreements, which materially adversely affect its business;
- There will be no material change in the bases or rates of taxation in the PRC or any other country or territory in which the Group operates, except as otherwise disclosed in this prospectus;
- There will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing;
- Our operations will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents;
- The Group’s operations, results, and financial position will not be adversely affected by the risk factors described under the “Risk Factors” section of the Prospectus; and
- There will be no material change in credit policies offered to customers and granted by suppliers of the Group during the Forecast Period.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT FORECAST

The following is the text of the letter, prepared for inclusion in this prospectus, received from the reporting accountants, SHINEWING (HK) CPA LIMITED, in connection with the profit forecast of our Group for the year ending 31 December 2010.



SHINEWING (HK) CPA Limited
43/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

15 November 2010

The Directors
Credit China Holdings Limited
China Everbright Capital Limited
China Everbright Securities (HK) Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculation made in arriving at the forecast of the consolidated profit of Credit China Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ending 31 December 2010 attributable to the owners of the Company (the “Profit Forecast”), for which the directors of the Company (the “Directors”) are solely responsible, as set out in the prospectus dated 15 November 2010 issued by the Company (the “Prospectus”).

We conducted our work with reference to Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast is prepared based on the audited results of the Group for the seven months ended 31 July 2010, the results shown in the unaudited management accounts for the two months ended 30 September 2010 and a forecast of the results of the Group for the remaining three months ending 31 December 2010.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled on the basis of assumptions made by the Directors as set out in Part A of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report on the financial information of the Group for the two years ended 31 December 2009 and the seven months ended 31 July 2010 as set out in Appendix I to the Prospectus.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter prepared for inclusion in this prospectus by the Sole Sponsor in connection with the profit forecast of our Group for the year ending 31 December 2010.



China Everbright Capital Limited
40th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

15 November 2010

The Directors
Credit China Holdings Limited

Dear Sirs,

We refer to the forecast (the “**Profit Forecast**”) of the consolidated profit of Credit China Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the year ending 31 December 2010 as set forth in the paragraphs under “Profit Forecast For The Year Ending 31 December 2010” in the section headed “Financial Information” in the prospectus issued by the Company dated 15 November 2010.

The Profit Forecast, for which the Directors are solely responsible, has been prepared by them based on the audited results of the Group for the seven months ended 31 July 2010, the unaudited management accounts of the Group for the two months ended 30 September 2010 and a forecast of the results of the Group for the remaining three months ending 31 December 2010.

We have discussed with you the bases upon which the Profit Forecast has been made. We have also considered the letter dated 15 November 2010 addresses to you and us from SHINEWING (HK) CPA Limited regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by SHINEWING (HK) CPA Limited, we are of the opinion that the Profit Forecast, for which you as the Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
Jacky Ho
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 September 2010 of the properties held/leased by the Group located in the PRC and Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

The Directors

15 November 2010

Credit China Holdings Limited

Units C&D, 17th Floor
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Credit China Holdings Limited (the “Company”) for us to value the properties held or leased by the Company and/or its subsidiaries and Shanghai Yintong Dian Dang Company Limited (“Shanghai Yintong”) (together referred to as the “Group”) located in Hong Kong and the People’s Republic of China (the “PRC”). We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such properties as at 30 September 2010 (the “date of valuation”).

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of properties of the Group is categorized into the following groups:

- Group I – Property held for sale by the Group in the PRC
- Group II – Properties leased by the Group in the PRC
- Group III – Property leased by the Group in Hong Kong

VALUATION METHODOLOGIES

In valuing Property No. 1 in Group I, we have valued it on an open market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the property and the comparables in terms of time, location, size and other relevant factors.

We have attributed no commercial value to the properties in Groups II and III which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal adviser – Commerce & Finance Law Offices (通商律師事務所) regarding the titles of the properties. All documents have been used for reference only.

In valuing the interests in the properties leased by the Group, we have been provided with copies of the tenancy agreements relating to the properties. However, we have not searched the titles of the properties and have not scrutinized the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the open market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties, we have relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,

For and on behalf of

BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng

BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ),

MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE,

MIET, MIEEE, MASME, MIE

Managing Director

Joannau W. F. Chan

BSc., MSc., MRICS, MHKIS, RPS(GP)

Senior Director

Notes:

Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 17 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 17 years' experience in valuations of properties in Hong Kong and over 11 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 30 September 2010 <i>RMB</i>
Group I – Property held for sale by the Group in the PRC		
1.	Unit Nos. 2102, 2103, 2108, 2109 and 2110, No. 28 Maji Road, Pudong New District, Shanghai, the PRC 中國 上海市 浦東新區 馬吉路28號 2102室、2103室、2108室、2109室及2110室	4,400,000
Sub-total:		4,400,000
Group II – Properties leased by the Group in the PRC		
2.	Levels 2 to 3 and the eastern portion of Level 1, No. 805 Quxi Road, Luwan District, Shanghai, the PRC 中國 上海市 盧灣區 瞿溪路805號 底層東及2至3層	No Commercial Value

No.	Property	Market Value in existing state as at 30 September 2010 RMB
3.	The eastern and southern portions of Level 35, Lucky Target Square, No. 500 Chengdu Road North, Huangpu District, Shanghai, the PRC 中國 上海市 黃浦區 成都北路500號 峻嶺廣場 35樓之東向和南向部分	No Commercial Value
4.	A portion of Level 35 (Unit No. 3503), Lucky Target Square, No. 500 Chengdu Road North, Huangpu District, Shanghai, the PRC 中國 上海市 黃浦區 成都北路500號 峻嶺廣場 35樓部分(3503室)	No Commercial Value

No.	Property	Market Value in existing state as at 30 September 2010 RMB
5.	Unit Nos. 2506 and 2507 on Level 25, Lucky Target Square, No. 500 Chengdu Road North, Huangpu District, Shanghai, the PRC 中國 上海市 黃浦區 成都北路500號 峻嶺廣場 25樓2506和2507室	No Commercial Value
	Sub-total:	<u>Nil</u>
Group III – Property leased by the Group in Hong Kong		
6.	Units C&D on 17th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong	No Commercial Value
	Sub-total:	<u>Nil</u>
	Grand-total:	<u><u>4,400,000</u></u>

VALUATION CERTIFICATE

Group I – Property held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010 RMB
1.	Unit Nos. 2102, 2103, 2108, 2109 and 2110, No. 28 Maji Road, Pudong New District, Shanghai, the PRC 中國 上海市 浦東新區 馬吉路28號 2102室、2103室、2108室、2109室及2110室	The property comprises 5 units on Level 21 of a 26-storey office building which was completed in about 1995. The total gross floor area (“GFA”) of the property is approximately 569.54 sq.m. The land use rights of the property have been granted for a term expiring on 31 March 2043 for composite use.	The property is vacant.	4,400,000

Notes:

- Pursuant to a Civil Judicial Letter (民事裁定書), Hu Yi Zhong Zhi Zi (2007) No. 1145 dated 22 June 2009, issued by Shanghai First Middle People’s Court (上海市第一中級人民法院), the property was contracted to be acquired by Lucky Target Property Consultants (Shanghai) Company Limited (峻嶺物業顧問(上海)有限公司) (“Lucky Consultants”). The total consideration is RMB2,892,000.
- Pursuant to 5 Shanghai Certificates of Real Estate Ownership (上海市房地產權証), the land use rights and building ownership rights of the property are legally held by Lucky Consultants. The salient details of the certificates are as follows:

Certificate No.	Date of Issue	Commencement Date	Unit No.	GFA (sq.m.)
Hu Fang Di Pu Zi (2009) No. 061852 (滬房地浦字(2009)第061852號)	20 August 2009	29 July 2009	2102	117.36
Hu Fang Di Pu Zi (2009) No. 064844 (滬房地浦字(2009)第064844號)	27 August 2009	22 June 2009	2103	116.70
Hu Fang Di Pu Zi (2009) No. 063508 (滬房地浦字(2009)第063508號)	25 August 2009	29 July 2009	2108	116.70
Hu Fang Di Pu Zi (2009) No. 064743 (滬房地浦字(2009)第064743號)	31 August 2009	22 June 2009	2109	109.39
Hu Fang Di Pu Zi (2009) No. 063936 (滬房地浦字(2009)第063936號)	25 August 2009	22 June 2009	2110	109.39
			Total:	569.54

3. The status of title and grant of major approvals provided by the Group is as follows:

Shanghai Certificates of Real Estate Ownership	Yes
--	-----
4. The opinion of the PRC legal adviser contains, inter alia, the following:
 - a. The land use rights and the building ownership rights of the property are legally vested in Lucky Consultants; and
 - b. Lucky Consultants has the rights to legally occupy, use and dispose of the property.
5. Lucky Consultants is an indirectly wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II – Properties leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010 RMB
2.	Levels 2 to 3 and the eastern portion of Level 1, No. 805 Quxi Road, Luwan District, Shanghai, the PRC 中國 上海市 盧灣區 瞿溪路805號 底層東及2至3層	The property comprises a portion of Level 1 and the whole of Levels 2 and 3 of a 20-storey composite building which was completed in about 2001. The total gross floor area (“GFA”) of the property is approximately 2,479.91 sq.m.	A portion of the property is occupied by the Group as a pawn shop and office whilst the remaining portion of the property was sub-leased to 2 independent third parties.	No Commercial Value

Notes:

- Pursuant to a Real Estate Tenancy Contract and its supplemental agreement entered into between Shanghai Fu Le Fur Knitting Company Limited (上海富樂毛針織有限公司) (“Shanghai Fu Le”), an independent third party, and Shanghai Yintong Dian Dang Company Limited (“Shanghai Yintong”) dated 15 August 2003 and 23 April 2004 respectively, the property is leased to Shanghai Yintong for a term of 10 years expiring on 15 August 2013 at an annual rent of RMB1,450,000 for the first to fifth years, RMB1,550,000 for the sixth year, RMB1,650,000 for the seventh year, RMB1,750,000 for the eighth year, RMB1,850,000 for the ninth year and RMB1,950,000 for the tenth year. The annual rent is exclusive of utility charges and management fees.

Pursuant to a Memorandum entered into between Shanghai Fu Le and Shanghai Yintong dated 30 September 2003, the latter has the rights to sub-lease the property to third party.
- Pursuant to a Real Estate Tenancy Agreement entered into between Shanghai Yintong and Shenyin & Wanguo Securities Co., Ltd. Shanghai Xietu Road Securities Exchange (申銀萬國證券股份有限公司上海斜土路證券營業部) (“Shenyin & Wanguo”), an independent third party, dated 23 February 2006, a portion of the property with a GFA of approximately 661.15 sq.m. is sub-leased to Shenyin & Wanguo for a term of 7 years expiring on 28 February 2013 at an annual rent of RMB580,080 for the first to fifth years and RMB638,088 for the sixth to seventh years.

Pursuant to a supplemental agreement dated 10 April 2007, a portion of the property with a GFA of approximately 369.75 sq.m. is sub-leased to Shenyin & Wanguo for a term of 6 years expiring on 28 February 2013 at an annual rent of RMB290,000 for the first to fourth years and RMB319,000 for the fifth to sixth years. The annual rent is exclusive of utility charges and management fees.
- Pursuant to a Real Estate Tenancy Agreement entered into between Shanghai Yintong and Shanghai Cheng Jia Dian Zi Technology Company Limited (上海誠佳電子科技有限公司) (“Cheng Jia”), an independent third party, dated 28 September 2009, a portion of the property with a GFA of approximately 1,100 sq.m. is sub-leased to Cheng Jia for a term of 2 years expiring on 31 October 2011 at an annual rent of RMB673,200 for the first year and RMB706,860 for the second year. The annual rent is exclusive of utility charges and management fees.

4. The opinion of the PRC legal adviser contains, inter alia, the following:
 - a. The contract and agreements are legal and valid;
 - b. The lessees have the rights to use the property; and
 - c. The contract and agreements have not been registered, however, such non-registration will not affect their validity.
5. Shanghai Yintong is a limited liability company established in the PRC on 11 June 2003, a secured financing service provider engaged in pawn loan business that is managed by Lucky Target Property Consultants (Shanghai) Company Limited, an indirectly wholly-owned subsidiary of the Company, through structure contracts.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010 RMB
3.	<p>The eastern and southern portions of Level 35, Lucky Target Square, No. 500 Chengdu Road North, Huangpu District, Shanghai, the PRC</p> <p>中國 上海市 黃浦區 成都北路500號 峻嶺廣場 35樓之東向和南向部分</p>	<p>The property comprises portions of Level 35 of a 38-storey composite building which was completed in about 1995.</p> <p>The gross floor area of the property is approximately 356 sq.m.</p> <p>Pursuant to a tenancy contract and a supplemental agreement entered into between Shanghai Jinhan Investment Development Limited and Shanghai Yintong Dian Dang Company Limited (“Shanghai Yintong”), the property is leased to the latter for a term commencing on 16 March 2009 and expiring on 15 March 2011 at a monthly rent of RMB60,000 from 16 March 2009 to 15 March 2010 and RMB45,000 from 16 March 2010 to 15 March 2011 exclusive of management fees, electricity charge and other outgoings.</p>	<p>The property is occupied by the Group for office purpose.</p>	<p>No Commercial Value</p>

Notes:

1. Shanghai Jinhan Investment Development Limited (上海錦瀚投資發展有限公司) is a connected party of the Company.
2. The opinion of the PRC legal adviser contains, inter alia, the following:
 - a. The contract and agreement are legal and valid;
 - b. The lessee has the rights to use the property; and
 - c. The contract and agreement have not been registered, however, such non-registration will not affect their validity.
3. Shanghai Yintong is a limited liability company established in the PRC on 11 June 2003, a secured financing service provider engaged in pawn loan business that is managed by Lucky Target Property Consultants (Shanghai) Company Limited, an indirectly wholly-owned subsidiary of the Company, through structure contracts.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010 RMB
4.	A portion of Level 35 (Unit No. 3503), Lucky Target Square, No. 500 Chengdu Road North, Huangpu District, Shanghai, the PRC 中國 上海市 黃浦區 成都北路500號 峻嶺廣場 35樓部分(3503室)	The property comprises a portion of Level 35 of a 38-storey composite building which was completed in about 1995. The gross floor area of the property is approximately 58 sq.m. Pursuant to a tenancy contract entered into between Shanghai Jinhan Investment Development Limited and Lucky Target Property Consultants (Shanghai) Company Limited (峻嶺物業顧問(上海)有限公司) (“Lucky Consultants”), the property is leased to the latter for a term commencing on 1 February 2010 and expiring on 31 January 2011 at a monthly rent of RMB7,500 exclusive of electricity charge and other outgoings.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. Shanghai Jinhan Investment Development Limited (上海錦瀚投資發展有限公司) is a connected party of the Company.
2. The opinion of the PRC legal adviser contains, inter alia, the following:
 - a. The contract is legal and valid;
 - b. The lessee has the rights to use the property; and
 - c. The contract has not been registered, however, such non-registration will not affect its validity.
3. Lucky Consultants is an indirectly wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010 RMB
5.	Unit Nos. 2506 and 2507 on Level 25, Lucky Target Square, No. 500 Chengdu Road North, Huangpu District, Shanghai, the PRC 中國 上海市 黃浦區 成都北路500號 峻嶺廣場 25樓2506和2507室	The property comprises 2 office units on Level 25 of a 38-storey composite building which was completed in about 1995. The total gross floor area of the property is approximately 284.76 sq.m. Pursuant to 2 tenancy contracts, the property is leased to Shanghai Yintong Dian Dang Company Limited (“Shanghai Yintong”) from 2 independent third parties for terms commencing on 10 June 2010 and expiring on 9 June 2012 at a total monthly rent of RMB26,000 exclusive of electricity charge and other outgoings.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. The opinion of the PRC legal adviser contains, inter alia, the following:
 - a. The contracts are legal and valid;
 - b. The lessee has the rights to use the property; and
 - c. The contracts have not been registered, however, such non-registration will not affect their validity.

2. Shanghai Yintong is a limited liability company established in the PRC on 11 June 2003, a secured financing service provider engaged in pawn loan business that is managed by Lucky Target Property Consultants (Shanghai) Company Limited, an indirectly wholly-owned subsidiary of the Company, through structure contracts.

VALUATION CERTIFICATE

Group III – Property leased by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010 <i>RMB</i>
6.	Units C&D on 17th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong	<p>The property comprises 2 office units on the 17th Floor of a high-rise office building which was completed in 1991.</p> <p>The total gross floor area of the property is approximately 2,860 sq.ft.</p> <p>Pursuant to a tenancy agreement entered into between On Success Development Limited and Vigo Hong Kong Investment Limited dated 25 May 2010, the property is leased to the latter for a term of 2 years commencing on 15 April 2010 and expiring on 14 April 2012 at a monthly rent of HK\$81,510 exclusive of management fee, rates and other outgoings.</p>	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. The registered owner of the property is On Success Development Limited, which is an independent third party of the Company.
2. Vigo Hong Kong Investment Limited is an indirectly wholly-owned subsidiary of the Company.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 January 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 4 November 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise as the board may determine. Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not participate (nor be counted in the quorum) in meetings or vote on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested unless a majority of the independent non-executive Directors expressly request otherwise, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling,

hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any

such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meeting shall be called by at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members

in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as being persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 26 January 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove of the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 January 2010.

As our Company is incorporated in the Cayman Islands, our operations are subject to the Cayman Islands company law and to our constitution, which comprises the Memorandum and the Articles. A summary of certain relevant parts of our constitution and certain relevant aspects of the Cayman Islands company law is set out in Appendix V to this prospectus.

2. Changes in the authorised and issued share capital of our Company

As of the date of incorporation, our initial authorised share capital was US\$50,000 divided into 50,000 shares of US\$1.00 each. One share of US\$1.00 in our Company was allotted and issued fully paid at par to Codan Trust Company (Cayman) Limited, the initial subscriber of our Company.

On 4 January 2010, Codan Trust Company (Cayman) Limited transferred one share of US\$1.00 in our Company to Mr. Shi.

On 25 February 2010:

- (a) the authorised share capital of our Company was increased by HK\$390,000 by the creation of 3,900,000 Shares of HK\$0.10 each;
- (b) our Company allotted and issued 78 Shares, credited as fully paid, to Kaiser Capital;
- (c) our Company repurchased and cancelled one share of US\$1.00 in our Company held by Mr. Shi;
- (d) the authorised share capital of our Company was diminished by US\$50,000 by the cancellation of 50,000 unissued shares of US\$1.00 each in the share capital of our Company;
- (e) our Company allotted and issued 21 Shares to Kaiser Capital in consideration of Mr. Shi transferring to our Group the entire issued shares in Vigo Investment and Lucky Target;
- (f) 81 Shares were allotted and issued to Jiefang Media at par value; and
- (g) pursuant to a subscription agreement dated 25 February 2010 entered into between our Company and Integrated Asset, 20 Shares, credited as fully paid, were allotted and issued to Integrated Asset.

Pursuant to the resolutions in writing of all Shareholders passed on 4 November 2010, the authorised share capital of our Company was increased from HK\$390,000 to HK\$2,000,000,000 by the creation of a further 19,996,100,000 Shares.

Immediately following completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme, the authorised share capital of our Company will be HK\$2,000,000,000 divided into 20,000,000,000 Shares, of which 1,600,000,000 Shares will be allotted and issued, fully paid or credited as fully paid, and 18,400,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option and options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or the general mandate to issue Shares referred to in the paragraph headed “Resolutions in writing of the Shareholders” in this appendix, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company.

Save as disclosed herein and in the following paragraphs of this section headed “Further information about our Group”, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in writing of the Shareholders

Pursuant to the resolutions in writing of all Shareholders passed on 4 November 2010:

- (a) our Company approved and adopted the Articles of Association;
- (b) conditional upon the same conditions to be satisfied and/or waived as stated in the section headed “Structure of the Placing” in this prospectus:
 - (i) the authorised share capital of our Company was increased from HK\$390,000 to HK\$2,000,000,000 by the creation of a further 19,996,100,000 Shares;
 - (ii) the Placing and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Placing Shares and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to allot and issue a total of 1,199,999,800 Shares by way of capitalisation of the sum of HK\$119,999,980 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,199,999,800 Shares in aggregate for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on 4 November 2010 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share may be allotted and issued) to their then existing shareholdings in our Company;

- (iv) the rules of the Post-IPO Share Option Scheme, the principal terms of which are set out in the section headed “Other information – Share Option Schemes – Post-IPO Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Post-IPO Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Post-IPO Share Option Scheme;
- (v) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issues, scrip dividend scheme or other similar arrangements in accordance with the Memorandum and the Articles, or under the Placing or the Capitalisation Issue or pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or a specific authority granted by the Shareholders at general meeting, Shares with an aggregate nominal amount of not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (but prior to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme); and (b) the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the authority granted to our Directors referred to in paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held or the revocation or variation of such mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (vi) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (but prior to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme) until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held or the revocation or variation of such mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (vii) the general unconditional mandate granted to our Directors pursuant to paragraph (v) above be extended by the addition to the aggregate nominal value of the share capital of our Company repurchased pursuant to the Repurchase Mandate; and

- (c) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the section headed “Other information – Share Option Schemes – Pre-IPO Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder from the date of its adoption to the Latest Practicable Date and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Pre-IPO Share Option Scheme.

4. Group reorganisation

The companies comprising our Group underwent the following corporate restructuring to rationalise our corporate structure in preparation for the Listing:

- (a) Measure Up was established under the laws of the BVI on 25 September 2009 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued to Ever Step on 12 January 2010.
- (b) Easy Value was established under the laws of the BVI on 4 December 2009 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued to Ever Step on 12 January 2010.
- (c) Ever Step was established under the laws of the BVI on 7 December 2009 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued to our Company on 12 January 2010.
- (d) Our Company was established as an exempted company with limited liability in the Cayman Islands on 4 January 2010 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued to Codan Trust Company (Cayman) Limited on the same date.
- (e) By an agreement dated 25 February 2010, (i) Ever Step acquired Vigo Investment from Mr. Shi; and (ii) Measure Up acquired Lucky Target from Lucky Target Property Development Limited, in consideration of which Ever Step and Measure Up procured our Company to allot and issue 21 Shares to Kaiser Capital at the direction of Mr. Shi.
- (f) On 25 February 2010, 81 Shares were allotted and issued to Jiefang Media at par value.
- (g) On 25 February 2010, Lucky Consultants, Jinhan Investment, Xirong Asset and Shanghai Yintong entered into the Structure Contracts, pursuant to which all the business activities of Shanghai Yintong are managed by Lucky Consultants and all economic benefits and risks arising from the business of Shanghai Yintong are transferred to Lucky Consultants.
- (h) Pursuant to a subscription agreement dated 25 February 2010 entered into between our Company and Integrated Asset, 20 Shares, credited as fully paid, were allotted and issued to Integrated Asset.

- (i) By an instrument of transfer and bought and sold notes dated 2 June 2010, Vigo Investment transferred the entire issued share capital in Wyndsfield Resources to Easy Value at par value.

5. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the accountants' report of our Company, the text of which is set out in Appendix I to this prospectus. The changes in the share capital of the following subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus:

(a) *Easy Value*

On 4 December 2009, Easy Value was established as a BVI business company under the laws of BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued to Ever Step on 12 January 2010.

(b) *Ever Step*

On 7 December 2009, Ever Step was established as a BVI business company under the laws of BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued to our Company on 12 January 2010.

(c) *Measure Up*

On 25 September 2009, Measure Up was established as a BVI business company under the laws of BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued to Ever Step on 12 January 2010.

(d) *Lucky Target*

On 25 February 2010, Lucky Target Property Development Limited transferred 100 shares of HK\$1.00 each in the share capital of Lucky Target to Measure Up in consideration of the issue and allotment of an aggregate 21 Shares by our Company to Kaiser Capital.

(e) *Wyndsfield Resources*

- (i) On 16 October 2009, Vigo Investment acquired 100 shares, being the entire issued share capital of Wyndsfield Resources, from Mr. Ting and Wyndsfield Holdings Limited, a company wholly and beneficially owned by Mr. Ting, at an aggregate consideration of HK\$100.
- (ii) On 2 June 2010, Easy Value acquired 100 shares, being the entire issue share capital of Wyndsfield Resources, from Vigo Investment at a consideration of HK\$100.

(f) *Vigo Investment*

On 25 February 2010, Ever Step acquired one share of HK\$1.00, being the entire issued share capital of Vigo Investment, from Mr. Shi in consideration of the issue and allotment of an aggregate 21 Shares by our Company to Kaiser Capital.

(g) *Baokang Guarantee*

On 12 May 2010, Baokang Guarantee was established as a wholly foreign owned enterprise under the laws of the PRC with a registered capital of RMB100,000,000, which is 100% owned by Wyndsfield Resources.

(h) *Shanghai Yintong*

- (i) Pursuant to an equity transfer agreement dated 16 January 2009, Jinhan Investment transferred 16.25%, Lin Zhi Qun (林志群) transferred 25% and Xu Hai Xin (徐海欣) transferred 3.75% of the equity interests in Shanghai Yintong to Xinrong Asset at a consideration of RMB6,500,000, RMB10,000,000 and RMB1,500,000, respectively.
- (ii) Pursuant to an equity transfer agreement dated 22 October 2009, Mr. Ting (as a trustee for Mr. Shi) transferred 15% of the equity interests in Shanghai Yintong to Jinhan Investment at a consideration of RMB6,000,000.

Save as disclosed herein, there had been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Sources of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

(b) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have the general authority from the Shareholders to enable our Company to repurchase securities in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

The exercise in full of the Repurchase Mandate, on the basis of 1,600,000,000 Shares in issue immediately following the Listing, could result in up to 160,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared with the position disclosed in this prospectus). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum, the Articles and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

If, as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

Save as the repurchase by our Company of one share of US\$1.00 in our Company held by Mr. Shi on 25 February 2010, no repurchase of our securities has been made since the incorporation of our Company.

7. Registration under Part XI of the Companies Ordinance

Our Company has established our principal place of business in Hong Kong at Units C&D, 17th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, and was registered on 8 April 2010 as a non-Hong Kong company registered in Hong Kong under Part XI of the Companies Ordinance, with Ms. So Ka Man (being the company secretary of our Company) of Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong, as the authorised person of our Company for the acceptance of service of process and notices served on our Company in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

8. Summary of material contracts


The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Management Agreement;
- (b) the Pledge Agreement;
- (c) the sale and purchase agreement dated 25 February 2010 entered into between our Company, Ever Step, Measure Up, Lucky Target, Vigo Investment and Mr. Shi pursuant to which (i) Ever Step agreed to acquire Vigo Investment; and (ii) Measure Up agreed to acquire Lucky Target, from Mr. Shi, in consideration of which Ever Step and Measure Up will procure our Company to allot and issue 21 Shares to Kaiser Capital;
- (d) the subscription agreement dated 25 February 2010 entered into between our Company and Integrated Asset pursuant to which our Company agreed to issue and allot 20 Shares to Integrated Asset at an aggregate subscription price of HK\$32 million;


- (e) the Cooperation Framework Agreement;
- (f) a supplemental management agreement dated 1 November 2010 entered into between Jinhan Investment, Xinrong Asset, Shanghai Yintong and Lucky Consultants which supplemented the Management Agreement;
- (g) the Deed of Indemnity; and
- (h) the Underwriting Agreement.

9. Intellectual property rights of our Group

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following trademark:

Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
 中国信贷 CREDIT CHINA	Our Company	Hong Kong	36 ⁽¹⁾	301548676	23 February 2010 to 22 February 2020

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks:

Trademark	Applicant	Application number	Place of application	Class	Date of acceptance of application
	Our Company	8113491	PRC	36 ⁽²⁾	12 March 2010
中国信贷 CREDIT CHINA	Our Company	8113492	PRC	36 ⁽²⁾	12 March 2010

Notes:

1. The goods and/or services covered by the registration are insurance services, banking services, financial services, real estate agencies, real estate management, capital investment, financial consultancy, financial evaluation, guarantees, lending against security, financing and loans services, and pawnbrokerage.
2. The goods and/or services covered by the application are lending to be repaid in installments, capital investment; funds investment; financial lending; financial services; finance lease and financial consultancy.

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registrant	Registrar	Date of Expiry
www.creditchina.hk	Vigo Investment	Hong Kong Domain Name Registration Company Limited	14 January 2011
www.yin-tong.com	Shanghai Yintong	Beijing Innovative Linkage Technology Ltd.	17 January 2011

10. Further information about our Group's PRC subsidiaries

Our Group has interests in the registered capital of or has entered into Structure Contracts with the following companies established in the PRC. A summary of the corporate information of these companies is set out as follows:

(1) Shanghai Yintong

- | | |
|--|---|
| (i) Enterprise: | Shanghai Yintong |
| (ii) Economic nature: | Limited liability company (jointly invested by local entities) |
| (iii) Registered owners: | Xinrong Asset (45%)
Jinhan Investment (55%) |
| (iv) Registered capital: | RMB40,000,000 (fully paid-up) |
| (v) Attributable interest to our Company | 100% |
| (vi) Term: | 11 June 2003 to 10 June 2023 |
| (vii) Scope of business: | The business of pawnbroking secured finance business, real estate secured finance business, the sale of secured items within the limit of security in the event of default, the service of assessment, evaluation and consultancy, and other business as may be permitted by the National Economy Committee (國家經濟委員會) in accordance with the law (a specific licence must be obtained if required). |

(2) Lucky Consultants

- | | |
|---|--|
| (i) Enterprise: | Lucky Consultants |
| (ii) Economic nature: | Limited liability company (wholly-owned by entities of Taiwan, Hong Kong or Macau) |
| (iii) Registered owner: | Lucky Target |
| (iv) Total investment: | US\$900,000 |
| (v) Registered capital: | US\$900,000 (fully paid-up) |
| (vi) Attributable interest to our Company | 100% |
| (vii) Term: | 5 May 1998 to 4 May 2018 |

- (viii) Scope of business: The business of real estate consultancy and intermediary services, market investigation and planning, business consultancy and investment consultancy, enterprise management consultancy; provision of operational management for the parent company and its subsidiaries or affiliated companies, as entrusted by the parent company (a specific licence must be obtained if required).

(3) Baokang Guarantee

- (i) Enterprise: Baokang Guarantee
- (ii) Economic nature: Limited liability company (wholly-owned by entities of Taiwan, Hong Kong or Macau)
- (iii) Registered owner: Wyndsfield Resources
- (iv) Total investment: RMB140,000,000
- (v) Registered capital: RMB100,000,000 (nil paid up)
- (vi) Attributable interest to our Company: 100%
- (vii) Term: 12 May 2010 to 10 May 2030
- (viii) Scope of business: Providing guarantee, financing guarantee, contract performance guarantee, further guarantee in relation to financing in the form of loans, discounted notes, financial leasing in favour of small or medium enterprises or individuals to financial institutions; providing guarantee to consumers for their low-limit loans for purchases of durable consumer products or for expenditure purposes; provision of auxiliary services related to the guarantee for example investment and consultancy; consultancy services on corporate management and financial planning; planning and consultancy services in relation to financing for corporate restructuring, transfer, merger, acquisition and custodian services, consultancy service in economic and market information, consultancy service in enterprise information, and consultancy service on investment projects.

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**11. Particulars of service contracts**

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day following the expiry of the then current term unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) our executive Director not being re-elected as a Director or being removed by Shareholders at general meeting of our Company in accordance with the Articles. Each of our executive Directors shall be entitled to an annual salary as set out below, subject to an annual review by the remuneration committee of the Board. Upon completion of every 12 months of service, each of our executive Directors will be entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all of our executive Directors for any financial year of our Company shall not exceed 5% of the audited combined or consolidated audited net profit of our Group (after taxation and minority interest but before extraordinary or exceptional items) in respect of that financial year of our Company. The current basic annual salaries of our executive Directors are as follows:

Name	Annual salary (HK\$)
Mr. Shi	420,000
Mr. Ji	420,000
Ms. Shen	360,000
Total:	<u>1,200,000</u>

All necessary and reasonable travel and other out-of-pocket expenses properly incurred by our executive Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

Each of our independent non-executive Directors is appointed for a fixed term of one year commencing from the Listing Date subject to retirement, re-election and removal in accordance with the Articles. The annual fee payable to each of the independent non-executive Directors shall be HK\$120,000.

12. Directors' remuneration

Remuneration of RMB212,000, RMB294,000 and RMB1,222,000 in aggregate was paid by our Group to our Directors in respect of the two years ended 31 December 2008 and 2009 and the seven months ended 31 July 2010, respectively.

Save as disclosed in the paragraph above, no other emoluments have been paid or are payable in respect of the two years ended 31 December 2009 and the seven months ended 31 July 2010 by our Company to our Directors.

Under the current arrangements, it is expected that our Directors will be entitled to receive an aggregate remuneration of HK\$1,260,000 for the year ending 31 December 2010, excluding the discretionary bonuses payable to our Directors.

13. Disclosure of interests*(a) Interests and short positions of our Directors in the share capital of our Company and our associated corporations*

Immediately following completion of the Placing and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme, the interests or short positions of our Directors and the chief executive in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

Name of Director	Name of company	Capacity	Number and class of securities	Number of Shares subject to the Pre-IPO Share Option Scheme	Approximate percentage of shareholding
Mr. Shi	Our Company	Interest in a controlled corporation	594,000,000 (L) ⁽²⁾	–	37.13%
	Our Company	Beneficial owner	–	16,000,000 (L) ⁽³⁾	1.00%
Mr. Ji	Our Company	Beneficial owner	–	16,000,000 (L) ⁽³⁾	1.00%
Ms. Shen	Our Company	Beneficial owner	–	16,000,000 (L) ⁽³⁾	1.00%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the securities.
- (2) These Shares are held by Kaiser Capital. Mr. Shi is the sole beneficial owner of Kaiser Capital and hence is deemed to be interested in all the Shares held by Kaiser Capital under the SFO.
- (3) These represent Shares to be issued and allotted by our Company upon exercise of options granted by our Company under the Pre-IPO Share Option Scheme.

(b) Substantial Shareholders and other interests and short positions discloseable under the SFO

Immediately following completion of the Placing and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme, in addition to the interests disclosed under paragraph (a) above, so far as our Directors are aware, the following persons are expected to have interests or short positions in the Shares or underlying shares of our Company which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

(i) **Our Company**

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Kaiser Capital	Beneficial owner	594,000,000 (L)	37.13%
Jiefang Media	Beneficial owner	486,000,000 (L)	30.38%
Xinhua Publishing	Interest in a controlled corporation	486,000,000 (L) ⁽²⁾	30.38%
Jiefang Group	Interest in a controlled corporation	486,000,000 (L) ⁽²⁾	30.38%
Greenland Group	Interest in a controlled corporation	486,000,000 (L) ⁽²⁾	30.38%
Integrated Asset	Beneficial owner	120,000,000 (L)	7.50%
Mr. Yam	Interest in a controlled corporation	120,000,000 (L) ⁽³⁾	7.50%

(ii) **Shanghai Yintong**

Name	Capacity/Nature of interest	Equity interests	Approximate percentage of equity interests
Jinhan Investment	Beneficial owner	RMB22 million (L)	55%
Mr. Shi	Interest in a controlled corporation	RMB22 million (L) ⁽⁴⁾	55%
Xinrong Asset	Beneficial owner	RMB18 million (L)	45%
Xinhua Publishing	Interest in a controlled corporation	RMB18 million (L) ⁽⁵⁾	45%
Jiefang Group	Interest in a controlled corporation	RMB18 million (L) ⁽⁵⁾	45%
Greenland Group	Interest in a controlled corporation	RMB18 million (L) ⁽⁵⁾	45%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the securities.
- (2) Jiefang Media is wholly-owned by Xinhua Publishing, which is in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing is deemed to be interested in all the Shares held by Jiefang Media, and each of Jiefang Group and Greenland Group is deemed to be interested in all the Shares held by Jiefang Media through Xinhua Publishing.
- (3) Mr. Yam is the sole beneficial owner of Integrated Asset and hence is deemed to be interested in all the Shares held by Integrated Asset under the SFO.
- (4) Mr. Shi is the sole beneficial owner of Jinhan Investment and hence is deemed to be interested in all the equity interests held by Jinhan Investment under the SFO.
- (5) Xinrong Asset is wholly-owned by Xinhua Publishing, which is in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing is deemed to be interested in all equity interests held by Xinrong Asset, and each of Jiefang Group and Greenland Group is deemed to be interested in all the equity interests held by Xinrong Asset through Xinhua Publishing.

14. Personal guarantees

Within the two years immediately preceding the date of this prospectus, none of our Directors provided any personal guarantee as security for any debts or liabilities incurred by any member of our Group.

15. Agency fees or commissions received

The Underwriters will receive an underwriting commission, as mentioned in the paragraph headed “Total commission, fee and expenses” under the section headed “Underwriting” in this prospectus.

16. Related party transactions

During the two years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in note 32 of the accountants’ report set out in Appendix I to this prospectus.

17. Disclaimers

Save as disclosed in the section headed “Further information about Directors, Management and Staff” in this appendix:

- (i) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Placing and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group;

- (ii) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures of any associated corporation (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed;
- (iii) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Group and any of our Directors;
- (iv) none of our Directors or any persons referred to in the paragraph headed “Qualifications and consents of experts” in this appendix has any direct or indirect interest in the promotion of or in any assets which have been within the two years immediately preceding the date of this prospectus acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired, disposed of by or leased to any member of our Group; and
- (v) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.

Save as disclosed herein, no other options had been granted or agreed to be granted by our Company as at the Latest Practicable Date.

OTHER INFORMATION

18. Share Option Schemes

A. *Post-IPO Share Option Scheme*

(a) *Summary of terms*

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted pursuant to a resolution in writing passed by all Shareholders on 4 November 2010. The purpose of the Post-IPO Share Option Scheme is to provide incentives or rewards to the Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity. For the purpose of this section, references to (a) “**Board**” shall mean the board of directors of our Company or a duly authorised committee thereof; (b) “**Employee**” shall mean any full time or part time employee (including any executive director but not any non-executive director) of our Group or any Invested Entity; (c) “**Participant**” shall mean any of the following: (i) any Employee; (ii) any non-executive director (including independent non-executive directors) of our Group or any Invested Entity; (iii) any supplier of goods or services to any member of our Group or any Invested Entity; (iv) any customer of our Group or any Invested Entity; and (v) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity; and (d) “**Invested Entity**” shall mean any entity in which our Group holds an equity interest (irrespective of the percentage of such equity interest).

(i) *Who may join*

The Board shall be entitled at any time within the period of ten years from the date on which the Post-IPO Share Option Scheme becomes effective to make offers to any Participant, as the Board may in its absolute discretion select, to take up options to subscribe for Shares at a price calculated in accordance with sub-paragraph (ii) below.

(ii) *Subscription price of Shares*

The subscription price for Shares in respect of any options granted under the Post-IPO Share Option Scheme will be a price determined by the Board, in its absolute discretion, but in any case will not be less than whichever is the highest of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a trading day; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; and (3) the nominal value of a share to our Company. Upon acceptance of the option, the grantee shall pay HK\$1 to our Company by way of consideration for the grant.

(iii) *Grant of option*

No offer of options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting for approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (2) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, no option should be granted. Options may be granted to any company wholly-owned by a Participant.

(iv) *Maximum number of Shares*

- (1) The total number of Shares which may be allotted and issued upon exercise of all options which may be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Group shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Placing (the "**Scheme Mandate Limit**") (being 160,000,000 Shares, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the Share Option Schemes) unless our Company obtains a fresh approval from the Shareholders pursuant to (2) below. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option schemes of our Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

- (2) Our Company may seek approval of the Shareholders in general meetings to refresh the Scheme Mandate Limit provided that the Scheme Mandate Limit so refreshed must not exceed 10% of the issued share capital of our Company as at the date of approval of the refreshment by the Shareholders. All options granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option schemes of our Company) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. In seeking the approval, our Company shall send a circular to the Shareholders.
- (3) Our Company may grant options to Participant(s) beyond the Scheme Mandate Limit if the grant of such options is specifically approved by the Shareholders in a general meeting. In seeking such approval, a circular must be sent to the Shareholders containing a generic description of the identified participants, the number and terms of the options to be granted, the purpose of granting options to the identified Participants, and how these options serve such purpose.

Notwithstanding the above, the maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company shall not exceed 30% of the Shares in issue from time to time.

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of the proposed grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the Shareholders in general meeting with the proposed grantee and his associates abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of the proposed grantee and the number and terms of the options granted and to be granted. The number and terms of options to be granted to such proposed grantee must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

Any grant of option to the Directors, chief executive or substantial Shareholders (as defined in the GEM Listing Rules) or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option).

Where any grant of option is made to a Substantial Shareholder or an independent non-executive Director or any of their respective associates and the proposed grant of option, when aggregated with the options already granted and to be granted (including exercised, cancelled and outstanding options) to such person(s) in the 12-month period up to the date of such grant, would entitle such person(s) to subscribe for over 0.1% of the Shares and having an aggregate value in excess of HK\$5,000,000 based on the closing price of the Shares on the date of each grant, then the proposed grant of option must be subject to approval by Shareholders in accordance with the

GEM Listing Rules. A circular must be prepared by our Company explaining the proposed grant of option, disclosing the number and terms of the option proposed to be granted. The Shareholders' approval as described above will also be required for any change in the terms of any options granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates.

(v) *Exercise of option*

An option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set out in this Post-IPO Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period as the Board may in its absolute discretion determine which shall not be more than ten years from the date of grant of the option and subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option.

(vi) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of any third party over or in relation to any option. In the event that the option is granted to a company wholly-owned by a Participant, such Participant shall not sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of any third party over or in relation to the share capital of such company wholly-owned by him. Any breach of the foregoing by a grantee shall render the outstanding options having automatically lapsed.

(vii) *Rights on ceasing employment*

In the event of the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by the Participant), being an Employee on the date of grant, ceasing to be an Employee for any reason, other than death or the termination of employment on any of the grounds referred to in (ix) below, the grantee may exercise the option up to his or her entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day with our Company or the relevant member of our Group or the relevant Invested Entity whether salary is paid in lieu of notice or not or such longer period following the date of cessation as the Board may determine (provided that the retirement of director(s) of our Group or the relevant Invested Entity pursuant to the articles of association or bye-laws of the relevant member of our Group or the relevant Invested Entity at an annual general meeting of such member or Invested Entity who is/are re-elected at the same annual general meeting shall not be regarded as ceasing employment for the purpose of this paragraph).

(viii) Rights on death

In the event of the death of the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant) and provided that the grantee (or the beneficial owner of the grantee, as the case may be) being an Employee on the date of grant, none of the events which would be a ground for termination of employment referred to in (ix) below arises prior to his or her death, the legal personal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised).

(ix) Rights on dismissal

In the event the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant), being an Employee on the date of grant, ceases to be an Employee by reason of termination of his or her employment on the grounds that he or she has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant member of our Group or the relevant Invested Entity, his option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceases to be an Employee.

(x) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party or a placing or subscription of Shares in cash) pursuant to a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital while any option remains exercisable, such corresponding adjustments (if any), certified by an independent financial adviser or the auditors of our Company for the time being as fair and reasonable and in accordance with the requirements set out in this paragraph, shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription price; and/or the maximum number of Shares referred to in sub-paragraph (iv) above, provided that no adjustment shall be made such that a Share would be issued at less than its nominal value (and in such case the subscription price shall be reduced to the nominal value) or which would give a grantee a different proportion of the issued share capital of our Company as that to which he was previously entitled. Any adjustment made to the exercise price of, and/or the number of Shares subject to, any options must comply with the GEM Listing Rules and the supplemental guidance issued by the Stock Exchange on 5 September 2005.

(xi) Rights on a general offer

If a general offer or partial offer (whether by takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option in full (to the extent which has become exercisable and not already exercised) at any time within fourteen (14) days after the date on which the offer becomes or is declared unconditional.

(xii) Rights on winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representatives) shall be entitled to exercise all or any of his options (to the extent which has become exercisable and not already exercised) at any time not later than five business days prior to the proposed general meeting of our Company whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting allot the relevant Shares to the grantee credited as fully paid.

(xiii) Rights on a compromise or arrangement

In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as or soon after it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his or her legal representative(s)) may forthwith and until the expiry of the period commencing from such date and ending on the earlier of the date falling two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by Court, exercise his or her option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her option so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(xiv) Lapse of Post-IPO Share Option Scheme

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- the expiry of the option period;
- the date on which the grantee commits a breach of (vi) above;
- the expiry of any of the periods referred to in (vii) and (viii) above;
- the date on which the offer (or as the case may be, revised offer) referred to in (xi) above closes;
- subject to (xii) above, the date of commencement of the winding-up of our Company;
- subject to the proposed compromise or arrangement becoming effective, the expiry of the period referred to in (xiii) above;
- the date on which the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant) ceasing to be an employee by reason of (ix) above;
- the date on which the Board shall at its absolute discretion determine that the grantee (other than an Employee) has committed any breach of contract entered into between the grantee and our Group or any Invested Entity; or
- the date on which the options are cancelled in accordance with (xviii) below.

No compensation shall be payable upon the lapse of any option, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

(xv) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all provisions of the Articles and the Companies Law for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the reopening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after such allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members. Other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date herefore shall be before the allotment date.

(xvi) Termination of the Post-IPO Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further option will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of options (to be extent not already exercised) granted prior to such termination.

Subject to the aforesaid, the Post-IPO Share Option Scheme shall be valid and unconditional for a period of ten years commencing from the date on which the Post-IPO Share Option Scheme becomes unconditional, after which period no further options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any subsisting options granted prior thereto.

(xvii) Alterations to the Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the scheme shall comply with the applicable requirements of the GEM Listing Rules: (1) matters set out in Rule 23.03 of the GEM Listing Rules to the advantage of grantees or prospective grantees; (2) the authority of the Board in relation to any alteration to the terms of the Post-IPO Share Option Scheme; (3) the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or the terms of the options granted (except where such alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme) must be approved by the Shareholders.

(xviii) Cancellation of options granted

Any cancellation of options granted but not exercised must be approved by the Board. Where any option is cancelled and new options are to be issued to the same Participant, the issue of such new option may only be made under the Post-IPO Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as set out in (iv) above.

(xix) Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is conditional upon (1) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and any Shares to be issued pursuant to the exercise of options under the Post-IPO Share Option Scheme; and (2) the approval of all the Shareholders for the adoption of the Post-IPO Share Option Scheme.

(xx) *Performance target*

There is no performance target that must be achieved before the options can be exercised.

(xxi) *Value of option*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, exercise period, interest rate, expected volatility and other variables. As no option has been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the investors.

B. *Pre-IPO Share Option Scheme*

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain executive directors and employees of our Group to the growth of our Group and/or to the listing of Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme, approved by the written resolutions of all the Shareholders passed on 4 November 2010, are substantially the same as the terms of the Post-IPO Share Option Scheme, except for the following:

- (a) the Pre-IPO Share Option Scheme is not subject to any condition precedent and is valid and effective for the period commencing from the date of its adoption (being 4 November 2010) and ending on the Latest Practicable Date, after which no option may be granted;
- (b) the eligible participants shall be limited to any employee (whether full time or part time employee, including any executive directors but not non-executive director) of our Group;
- (c) the subscription price for Shares upon the exercise of the option shall be such price as determined by the Board in its absolute discretion provided that the subscription price shall not be less than the nominal value of a share from time to time; and
- (d) the options granted shall lapse automatically, among other matters, in the event that the Placing has not become unconditional on the last date for the Placing to become unconditional as specified in this prospectus.

C. Present status of the Share Option Schemes

As at the Latest Practicable Date, options to subscribe for an aggregate of 64,000,000 Shares, representing 4% of the issued share capital of our Company upon completion of the Placing and Capitalisation Issue, had been granted by our Company under the Pre-IPO Share Option Scheme to the persons in such number as set out below. The subscription price per Share pursuant to the exercise of these options is HK\$0.3125. The consideration for the grant of such options to each of such persons was HK\$1.00.

All of the options may be exercised within five years from the Listing Date. The vesting period of 35%, 35% and 30% of the total options granted under the Pre-IPO Share Option Scheme is 6 months, 12 months and 18 months from the grant date, respectively.

Name of grantee	Residential address	Position held in our Group	Number of Shares subject to option	Approximate % of the issued share capital of our Company immediately upon completion of the Placing
Mr. Shi	32A, No. 1388 Wuding West Road Shanghai, China	Chairman and Executive Director	16,000,000	1%
Mr. Ji	Flat C, 10/F Foong Shan Mansion 23 Tai Koo Shing Road Quarry Bay Hong Kong	Executive Director	16,000,000	1%
Ms. Shen	Room 18A, No. 23 Lane 999 Chang Shou Road Shanghai, China	Executive Director and Chief Executive Officer	16,000,000	1%
Ding Lu (丁璐)	606, 59 Lane 91 Zhongtan Road Putuo District Shanghai, PRC	Director of Shanghai Yintong	16,000,000	1%

Save as disclosed herein, no other options had been granted or agreed to be granted by our Company under the Share Option Schemes as at the Latest Practicable Date.

Our Directors confirmed that (i) no further options will be granted under the Pre-IPO Share Option Scheme following the Listing; and (ii) the Post-IPO Share Option Scheme complies with the requirements under Chapter 23 of the GEM Listing Rules.

Application has been made to the Listing Division for the approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Schemes.

19. Estate duty, tax and other indemnities

Each of Kaiser Capital and Mr. Shi (together, the “**Indemnifiers**”) has, under a deed of indemnity referred to in sub-paragraph (g) of the paragraph headed “Summary of material contracts” in this appendix, jointly and severally agreed, covenanted and undertook with our Company (for itself and as trustee for each member of our Group) that they will pay to our Company and/or other members of our Group in respect of taxation which might be payable by any member of our Group on or before the date on which the conditions stated in the section headed “Structure of the Placing – Conditions of the Placing” in this prospectus being fulfilled (the “**Effective Date**”). The Deed of Indemnity does not prescribe any time limit for claims to be made under the tax indemnity.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation:

- (i) to the extent that allowance, provision or reserve has been made for such taxation in the audited accounts of our Group for each of the two financial years ended 31 December 2009 and the seven months ended 31 July 2010 (the “**Accounts**”) and allowance, provision or reserve which will be made in the audited accounts of our Group covering the period from 1 August 2010 to the Effective Date on a basis consistent with that made in the Accounts; or
- (ii) to the extent that such claim for taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any introduction of new legislation or any retrospective change in law or the interpretation or practice by the relevant tax authority coming into force after the Effective Date or to the extent that the taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; or
- (iii) for which any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date; or
- (iv) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected otherwise than in the ordinary course of business on or before the Effective Date; or
- (v) to the extent that such taxation or liability is discharged by another person who is not our Company or any member of our Group and that none of our Company nor any member of our Group is required to reimburse such person in respect of the discharge of such taxation or liability; or

- (vi) to the extent of any allowance or provision or reserve made for taxation in the Accounts which is finally established to be an over-allowance or over-provision or an excessive reserve provided that the amount of any such allowance or provision or reserve applied pursuant to this provision to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (vii) to the extent that such claim or taxation claim arises or is incurred as a consequence of a change in any accounting policy or practice adopted by any other members of our Group after the Effective Date.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to indemnify, on a joint and several basis, our Group against any costs, expenses, claims, liabilities, penalties, losses and damages (including, but not limited to, any relocation or destruction cost) incurred or suffered by our Company or any member of our Group arising from or in connection with any failure of our Company, any members of our Group or any parties from whom our Company or any member of our Group purchased, leased or obtained licence or permit to use any property interests owned, leased, licensed or otherwise used or occupied by our Company or any member of our Group (the "Relevant Property"), to obtain any property ownership certificate, certificate of title, approval, permit, consent or registration in respect of the Relevant Property.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and the PRC, would likely fall on any members of our Group.

20. Litigation

Our Directors confirm that, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and, no litigation, arbitration or claim of material importance was pending or threatened against any member of our Group.

21. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares to be issued pursuant to the exercise of the Over-allotment Option and which have been granted under the Pre-IPO Share Option Scheme or options may be granted under the Post-IPO Share Option Scheme).

Save for an advisory and documentation fee, the Sole Sponsor will not receive any agency fee or commission.

22. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$86,400 and are payable by our Company.

23. Promoter

There is no promoter of our Company.

24. Qualifications and consents of experts

The qualifications of the experts who have given opinions or whose names are referred to in this prospectus are as follows:

Name	Qualifications
China Everbright Capital Limited	Licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Commerce & Finance Law Offices	Licensed legal advisers on the PRC laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
SHINEWING (HK) CPA Limited	Certified public accountants
BMI Appraisals Limited	Property valuer

Each of China Everbright Capital Limited, SHINEWING (HK) CPA Limited, BMI Appraisals Limited, Conyers Dill & Pearman and Commerce & Finance Law Offices has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or opinion and summaries of opinion (as the case may be) and/or the references to its name in the form and context in which they are respectively included.

None of the experts named in this paragraph headed “Qualifications and consents of experts” in this appendix has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

26. Miscellaneous

- (a) Within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries had been issued or agreed to be issued or was proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (ii) no share or loan capital of our Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option;
 - (iii) no commission had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any share in our Company or any of our subsidiaries; and
 - (iv) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (b) Our Directors have confirmed that (i) there has been no material adverse change in the financial or trading positions of our Group since 31 July 2010 (being the date to which the latest audited combined financial information of our Group were made up); and (ii) there had not been any interruption in the business of our Group which might have or have had a material adverse effect on the financial position of our Group in the two years immediately preceding the date of this prospectus.
- (c) Our Company has no founder, management or deferred shares.
- (d) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.
- (e) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (f) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the section headed “Statutory and General Information – Other information – Qualifications and consents of experts” in Appendix VI to this prospectus and copies of the material contracts referred to in the section headed “Statutory and General Information – Further information about the business of our Group – Summary of material contracts” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of K&L Gates at 44/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles;
- (2) the accountants’ report prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (3) the audited financial statements of the companies now comprising our Group for each of the two years ended 31 December 2009 (or for the period since their respective dates of incorporation/establishment where it is shorter);
- (4) the comfort letter received from SHINEWING (HK) CPA Limited on unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (5) each of the letters received from SHINEWING (HK) CPA Limited and the Sole Sponsor in connection with the profit forecast of our Group for the year ending 31 December 2010, the texts of which are set out in Appendix III to this prospectus;
- (6) the letter, summary of property values and valuation certificates relating to the property interest of our Group prepared by BMI Appraisals Limited, the texts of which are set out in Appendix IV to this prospectus;
- (7) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix V to this prospectus;
- (8) the Companies Law;
- (9) the material contracts referred to in the section headed “Statutory and General Information – Further information about the business of our Group – Summary of material contracts” in Appendix VI to this prospectus;

- (10) the service contracts referred to in the section headed “Statutory and General Information – Further information about directors, management and staff – Particulars of service contracts” in Appendix VI to this prospectus;
- (11) the rules of the Pre-IPO Share Option Scheme;
- (12) the rules of the Post-IPO Share Option Scheme;
- (13) the written consents referred to in the section headed “Statutory and General Information – Other information – Qualifications and consents of experts” in Appendix VI to this prospectus; and
- (14) the legal opinions prepared by Commerce & Finance Law Offices, our legal adviser as to the PRC law, in respect of certain aspects of our Group and our property interest.