
RISK FACTORS

You should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks before making an investment in our Company. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of the Offer Shares could decline due to any of these risks or other factors, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business is affected by fluctuations in interest rates and our credit positions

Our Group's interest rate risks arise from the interest-bearing lending and borrowing of our pawn loan and mortgage loan business. Our profitability is highly correlated to the net interest margin. During the Track Record Period, the net interest margin were approximately 41.5%, 40.5%, 37.2% and 35.7%, respectively. We had been financing our operations mainly through a combination of our internal generated funds, funds from our Shareholders and bank loans and overdrafts. For each of the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2012, we had entered into 11, 11, 13 and 14 facility agreements with local banks in Hong Kong, respectively, for the facility in the aggregate amount of approximately HK\$7.5 million, HK\$7.5 million, HK\$13.0 million and HK\$46.9 million, respectively, as contingent capital for our pawn loan and mortgage loan business. As at the Latest Practicable Date, our unutilised banking facilities available for drawdown amounted to approximately HK\$21.7 million. As at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, loans from our Shareholders amounted to approximately HK\$40.5 million, HK\$43.7 million, HK\$42.0 million and HK\$45.0 million, respectively. Our principal source of funds for our operations after Listing will be a combination of internal generated funds, bank loans and overdrafts and net proceeds from the Share Offer. The interest rate chargeable by us to our customers is determined by the market demand of loans and the prevailing competition in the industry, and is capped by the relevant provisions of the Pawnbrokers Ordinance and the Money Lenders Ordinance. Our borrowing cost is determined with reference to the overall local money lending market conditions and our credit positions. An increase in general interest rates or a deterioration of our credit positions will lead to an increase in our funding costs and will adversely affect our financial performance.

We have only started our mortgage loan business in 2009 and there is no assurance that the future development of our mortgage loan business will be successfully implemented

We only commenced our mortgage loan business in June 2009. For each of the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2012, the turnover contributed by the interest income earned on our mortgage loan services amounted to approximately HK\$0.2 million, HK\$0.8 million, HK\$3.2 million and HK\$4.8 million, respectively, representing approximately 0.3%, 1.5%, 4.8% and 9.1% of our total turnover, respectively. With our limited operating history in providing mortgage loans, it may be difficult to evaluate the performance of our mortgage loan business and its future development. It is our intention to further develop our mortgage loan business by expanding our mortgage loan portfolio and our customer base. There is no

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assurance that the future development of our mortgage loan business will be successfully implemented. Our results since the commencement of our mortgage loan business should not be used as an indication of the prospect and performance of our mortgage loan business.

Further expansion of our mortgage loan portfolio may influence our overall net interest margin, business and credit risks exposure and working capital position

Our Directors expect that further expansion of our mortgage loan portfolio in the future may adversely affect our overall net interest margin as our borrowing cost is expected to become higher due to the fact that we may finance such expansion by increasing bank loans. Furthermore, most of our turnover recorded during the Track Record Period had been generated from the interest income on our pawn loans. For each of the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2012, we recorded approximately 86.5%, 82.8%, 78.9% and 81.5% of our total turnover from interest income on our pawn loans, respectively, while we recorded approximately 0.3%, 1.5%, 4.8% and 9.1% of our total turnover from interest income on our mortgage loans, respectively. As we generally charge our customers a higher interest rate for our pawn loans (up to 3.5% per lunar month or 42% per annum^(note)) than our mortgage loans (interest rate ranging from 7.8% to 24.0% per annum for our first mortgage loans and 13.3% to 30.0% per annum for our subordinated mortgage loans during the Track Record Period), our overall net interest margin would be adversely affected if we diversify our income stream by increasing the portion of our turnover generated from our mortgage loan services in the future.

Our Directors also expected that our business and credit risks exposure would also be affected by the expansion plan of our mortgage loan services as the average size of our mortgage loans is much larger than the average size of our pawn loans. Any default in our mortgage loans by our customers may lead to a higher impact to our financial position than those default cases in connection with our pawn loan services.

In addition, our Directors expect that our expansion of the mortgage loan portfolio may affect our working capital position, as our pawn loans offer higher liquidity to us due to their shorter loan terms, compared to those of our mortgage loans granted by us during the Track Record Period that have a longest loan term of 20 years.

Our mortgage business is dependent on the performance of real estate markets in Hong Kong

All of the underlying real estates of our mortgage loans are located in Hong Kong. The values of the real estates mortgaged to us may fluctuate and decline due to various factors, including those affecting the overall real estate market conditions in Hong Kong. For example, a slowdown in the Hong Kong economy or any changes in the laws, regulations and policies in relation to the real estate market, may lead to a downturn in the real estate market that may in turn result in decline in the value of underlying real estates of our

Note: For illustrative purpose only and is calculated based on 12 lunar months per year.

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mortgage loans to levels below the outstanding principal amounts of such loans. In the event that we realise a real estate mortgaged to us for a default on our mortgage loan, the value of that real estate may not be sufficient to cover our mortgage loan in full due to the value fluctuation mentioned above, and in turn our financial performance may be adversely affected. Furthermore, in the event of lowered liquidity of the real estate market, the mortgaged properties may not be readily sold in the market when we exercise our enforcement rights in the mortgaged properties in the event of any loan default. Any delay in the timetable for the sale of mortgaged properties upon the exercise of our enforcement rights to recover the outstanding loan amount and interest accrued may adversely affect our liquidity.

Availability of funds to sustain growth

During the Track Record Period, our source of funds for our operations mainly comes from our internal generated funds, funds from our Shareholders and bank loans and overdrafts. All of the Shareholders' loans had been fully capitalised as at the Latest Practicable Date. The notional interests that would have been charged to our Group in connection with the Shareholders' loans for the Track Record Period, based on the interests with reference to the borrowing rates offered to us by our banks, would amount to approximately HK\$2.9 million, HK\$2.2 million, HK\$2.5 million and HK\$2.0 million, respectively. We will be more reliant on internal generated funds and bank loans and overdrafts after Listing. The growth of our pawn loan and mortgage loan business depends on the expansion of our loan portfolios which will require us to obtain sufficient funds. In the event that we are unable to obtain sufficient and/or alternative fundings on reasonable terms or at all, we may not be able to implement our future plans.

The liquidity of our Group may be affected by the timeliness in realising collaterals

As at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, the outstanding amount of pawn loans were approximately HK\$91.1 million, HK\$102.8 million, HK\$118.0 million and HK\$123.1 million, respectively, while the outstanding amount of mortgage loans were approximately HK\$2.9 million, HK\$22.2 million, HK\$32.6 million and HK\$71.4 million, respectively. In the event that our customers are unable to repay the relevant loans by the end of their terms and we are unable to realise the collaterals or the mortgaged real estates timely or at all, the liquidity and financial condition of our Group may be adversely affected.

Our Group had incurred net operating cash outflow for the year ended 28 February 2011 and the nine months ended 30 November 2012 and we had overall net cash outflow for the year ended 28 February 2011 and the nine months ended 30 November 2012

Our Group incurred net cash outflow from operating activities of approximately HK\$10.7 million and HK\$20.6 million respectively and a net cash outflow of approximately HK\$8.3 million and HK\$3.0 million respectively for the year ended 28 February 2011 and the nine months ended 30 November 2012. The net cash outflow from operating activities for the year ended 28 February 2011 and the nine months ended 30 November 2012 was mainly attributable to the increase in our gross loan receivables as our Group expanded our loan portfolio during the relevant year/period. We fund our loan portfolio by various

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means. Due to the nature of our business, when the growth in our loan portfolio is greater than the loan receivables received from the borrowers, there will be an increase in our gross loan receivables that will be recorded as a net operating cash outflow. A decrease in our gross loan receivables may be recorded if we slow down our pace of granting loans.

In the event that we are unable to obtain sufficient funds to finance the expansion in our loan portfolio, or we are forced to slow down our pace of granting loans to maintain our liquidity, our business operations and prospects may be materially and adversely affected.

We may not be able to detect unlawful properties and prevent fraud or other misconduct committed by our employees or third parties which may materially and adversely affect our results of operations

During the Track Record Period, we had encountered 80, 82, 75 and 82 incidents where collaterals pawned to us were seized by the police for investigations and the aggregated loan amounts involved were approximately HK\$0.3 million, HK\$0.3 million, HK\$1.7 million and HK\$0.3 million, respectively. For the same period, the amount of losses arising from the seizure of our pawned collaterals by the police net of insurance compensation amounted to approximately HK\$21,000, HK\$18,000, HK\$44,000 and HK\$50,000, respectively. As at the Latest Practicable Date, we still have pawned collaterals being seized by the police pending their investigation, involving 62 pawn loan transactions with an aggregated loan amount of approximately HK\$0.6 million. Our Pawnshops are provided with a copy of the Police Notice by the police from time to time which entails the latest information of unlawful properties. There is no assurance that we could detect all unlawful properties in a timely manner. We may also be exposed to fraud or other misconduct committed by our employees or third parties that could subject us to financial losses, sanctions and serious harm to our reputation. It may be difficult to identify non-compliance or suspicious transactions in a timely manner. Our precautions for fraud or other misconduct may not be sufficient and effective. If losses or damages arisen from the failure to detect unlawful properties and the occurrence of fraud or other misconduct are not recovered by our insurance, it may have an adverse effect on our financial performance and operation results.

We may be unable to maintain rapid growth and implement our future plans

Our future business growth primarily depends on the successful implementation of our strategies and future plans as set out in this prospectus. These business objectives are based on the existing plans and intentions of our Group, most of which are at initial stages and are therefore subject to risks and uncertainties. Further, we may not be able to achieve the anticipated growth and expansion of our operation due to factors which are beyond our control, such as changes in economic environment, market demands, government policies and relevant laws and regulations. As such, there is no assurance that the future plans of our Group will materialise, or be completed by the pre-determined timeframe, or that the objectives of our Group will be fully or partially achieved. In the event that our future plans do not materialise and our business objectives are not achieved, our business, profitability and financial positions in the future may be adversely affected.

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We are subject to higher credit risks and default risks

Unlike banks which offer relatively lower interest rates for their secured loans, we offer higher interest rates to our customers for our pawn loans and mortgage loans. For our pawn loans, we offer a maximum interest rate of 3.5% per lunar month, and for our mortgage loans, we offered an interest rate ranging from approximately 7.8% to 24.0% per annum for first mortgage loans and approximately 13.3% to 30.0% per annum for subordinated mortgage loans during the Track Record Period. Our results of operations depend on the interests we received from our customers and we are hence subject to higher credit risks and default risks in the event that the interest rate is offered at the high end and the borrowers default in repayment. Further, the values of the collaterals may fluctuate due to various reasons such as macro economic environment and inflation. Decrease in the values of the collaterals in turn affects the amount of our loans and our proceeds from disposal of such collaterals. Our operation results and financial performance may then be adversely affected.

The collaterals pledged may not be sufficient to cover the amount of pawn and mortgage loans granted by us

The collaterals pledged to us may not be sufficient to cover the amount of the outstanding loan receivables in the event of default. Our management information systems and internal control procedures are designed to monitor our operations and ensure that our staff would be able to value the collaterals properly and check for the genuineness of the collaterals. Should we fail to perform the valuation and misprice the collaterals, the amount of pawn loans and mortgage loans granted may exceed the value of the collaterals and the mortgaged real estates respectively and we may face adverse effect on our financial condition and operation results.

We may not be able to fully recover the mortgaged real estate securing for our subordinated mortgage loans in case of default

We have granted mortgage loans, including first mortgage loans and subordinated mortgage loans, to our customers, the outstanding balance of which amounted to approximately HK\$2.9 million, HK\$22.2 million, HK\$32.6 million and HK\$71.4 million as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, respectively. As our subordinated mortgages carry rights which are subordinated to those of first mortgages, there is no assurance that the residual values (being the value of the real estates less the outstanding balance of first and other higher-ranking subordinated mortgage loans at the time of initial loan drawdown by our customers) of the mortgaged real estates are sufficient to cover the outstanding balance of the subordinated mortgage loans after settling the first and other higher ranking mortgage loans in full in case of foreclosure. Therefore, our subordinated mortgage loans may expose us to the risk such as the first mortgagee increasing the first mortgage loan amount thereby compromising our security as second mortgagee, or the first mortgagee demanding the borrower to make early repayment on the loan, causing the borrower to sell the related real estate at times which are not in our control. Our Directors confirm that it is the prevailing market practice in respect of mortgage loans that the first mortgagees will generally not provide any consent in respect of

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subordinated mortgage loans; and even if consents are given, first mortgagees generally will not provide specific consents that fully cover the aforesaid commercial risks. During the Track Record Period, our Group has not incurred any impairment loss and written off from our loan receivables in connection with our mortgage business.

Apart from other factors such as the borrower's credit quality and the type of mortgaged real estates provided, we charge a higher interest rate on our subordinated mortgage loans to justify the higher risk that we may not be able to recover the full amount of the loan receivables in the event that the value of mortgaged real estate falls below the aggregate outstanding balance of the first and other higher-ranking subordinated mortgage loans. Accordingly, our asset quality, financial condition or results of operations may be materially and adversely affected.

Uncertain timing for repayment of subordinated mortgage loans in default

In the event of default in repayment of mortgage loans, where the loan amount is overdue and we are unable to contact the relevant customer or the amount remains overdue after a lapse of 7 days after notification by us, we will consider taking legal action against the relevant customer for the overdue loans and enforcing and recovering possession of the mortgaged real estates by obtaining court orders. If judgment is granted in favour of our Group, in relation to any subordinated mortgage loans, we shall register the court order against the real estate and the owner shall be obliged to repay the overdue loan from the proceeds in the future sale of the real estate. There is no assurance as to the timing of the future sale of the real estate and the repayment of such subordinated mortgage loan is therefore uncertain. Our liquidity and financial condition may be adversely affected.

Our insurance coverage may not adequately protect us against certain operational risks including the safe keeping of the collaterals and this may have a material adverse effect on our business

Collaterals of our pawn loans are kept in sealed plastic bags in the safe of our Pawnshops together with the relevant tickets or loan agreements. For each of our Pawnshops, we maintain insurance for the collaterals kept by each Pawnshop. The insurance covers, amongst others, loss or damage arising from transiting the collaterals, loss or damage by burglary or theft, and the loss and damage arising from unlawful goods. The occurrence of certain incidents, such as fraud or other misconduct by our employees or third parties, fire, severe weather conditions, and the consequences resulting therefrom may not be covered adequately by our insurance policies. If we incur substantial liabilities which are not covered by our insurance policies, we may incur expenses and losses that would materially and adversely affect our operation results and financial conditions.

Dependence on senior management personnel

Our senior management team, particularly Mr. Edward Chan, our Chairman, executive Director and chief executive officer, has joined our Group since the establishment of Oi Wah HK in March 2000. Ms. Chan Ying Yu and Ms. Chan Mei Fong, both executive Directors, joined our Group in 2000 and 2007, respectively. They are responsible for the day-to-day operation and strategic planning of our Group. The

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knowledge and experience of our senior management team is instrumental to the future development of our Group. We cannot assure you that we will be able to replace, retain or hire other managerial personnel of similar qualification on a timely basis in the future and will cause disruption to our business and may have an adverse impact on our operations, business and prospects.

We may fail to renew or maintain our Pawnbrokers Licences and Money Lenders Licence

Our business are subject to licensing requirements under the provisions of the Pawnbrokers Ordinance and the Money Lenders Ordinance respectively. Our Pawnbrokers Licence and the Money Lenders Licence are granted by the Commissioner of Police and the Licensing Court respectively and are also renewable annually subject to satisfaction of all licensing requirements. The Commissioner of Police or the Licensing Court may revoke or refuse to renew our Pawnbrokers Licences or Money Lenders Licence respectively if we are in breach of any condition of the relevant licence.

For details of the licensing requirements for pawnbrokers and money lenders, please refer to the sections headed “Regulatory overview — Regulations and supervision of pawnbroking business in Hong Kong” and “Regulatory overview — Regulations and supervision of money lending business in Hong Kong” in this prospectus.

If we were unable to renew our Pawnbrokers Licences and Money Lenders Licence on a timely basis or at all, it could have a material adverse impact on our Group’s business, financial condition and operation results.

Our pawn business operation may be interrupted if any of the licence holder of our Pawnbrokers Licences deceases or ceases to be have any connection with our Group

Each Pawnbrokers Licence bears the name of an individual who is regarded as the holder of the licence to carry on business as a pawnbroker at the relevant pawnshop. The individual can hold the licence in his/her name or on behalf of a company. According to the Police Licensing Office, in the event that such individual passes away, the Pawnbrokers Licence will cease to have effect immediately and the relevant pawnshop needs to cease operation save for handling the redemption of collaterals by borrowers. The pawnshop is required to apply for a new licence with another individual as licence holder to resume operation. The process of new application of the licence takes approximately one month.

Our 12 Pawnbrokers Licences are currently held by Mr. Edward Chan and Ms. Chan Ying Yu, our executive Directors and Controlling Shareholders. In the event that one of these individuals passes away while being the named licence holder on behalf of our Group, the relevant Pawnshops with licences bearing his/her name as licence holder on behalf of our Group will be required to cease operation for approximately one month pending the grant of a new licence in the name of another individual on behalf of our Group.

If any of these individuals ceases to have any connection with our Group and we need to change the holder of the Pawnbrokers Licences to another person to hold for and on behalf of our Group, according to the Police Licensing Office, a new licence is required to be obtained and generally it will also take approximately one month to process such

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application by the Police Licensing Office. In such event, if insufficient time has been allowed to process the application for the new licence prior to cessation of connection of the licence holder and our Group, the relevant Pawnshops are also required to cease all business operations save for handling the redemption of collaterals by the borrowers pending the grant of the new licence.

Therefore, the passing away of the licence holder of our Pawnbrokers Licences or the cessation of such licence holder to have any connection with our Group (without any advance filing of application for change of licence holder with the Police Licensing Office for at least one month) will have an adverse impact on our operating results and financial performance.

We may be unsuccessful in obtaining the requisite licences for our new Pawnshops

As at the Latest Practicable Date, we have 12 Pawnshops located in various locations in Hong Kong. We do not have any plan to increase the number of our Pawnshops at the moment, but we may in the future establish more Pawnshops in Hong Kong. According to the Pawnbrokers Ordinance, applicant for Pawnbrokers Licence is required to fulfil certain requirements which shall be determined and approved by the Commissioner of Police. There is no assurance that we could obtain the requisite licences for the establishment of our new Pawnshops.

For details of the licensing requirements for pawnbrokers and money lenders, please refer to the sections headed “Regulatory Overview — Regulation and supervision of pawnbroking business in Hong Kong — Qualification criteria” and “Regulatory Overview — Regulations and supervision of money lending business in Hong Kong — Licensing requirements” in this prospectus.

Several instances of not in full compliance with section 18 of the Money Lenders Ordinance

As further elaborated in the section headed “Business — Regulatory compliance” in this prospectus, during the Track Record Period, there were 315 instances where we issued tickets to customers for pawn loans exceeding HK\$100,000 granted under our Money Lenders Licence, the first of which occurred in March 2009 while the last of which occurred in June 2012, with an aggregate loan amount granted of approximately HK\$48.6 million. These loans range from HK\$102,000 to HK\$500,000 and are classified as loans granted under our Money Lenders Licence. The terms of the tickets were not in full compliance with section 18 of the Money Lenders Ordinance. As advised by Pang & Co., legal advisers to our Company as to Hong Kong law, pursuant to section 32 of the Money Lenders Ordinance, the maximum penalty shall be a fine of HK\$100,000 for committing each offence and imprisonment for 2 years and any person convicted of an offence under the Money Lenders Ordinance may be disqualified from holding a Money Lenders Licence for a period not exceeding 5 years from the date of conviction by the Magistrates. In light of the above, the directors of Oi Wah HK (including our three executive Directors, namely, Mr. Chan Chart Man, Mr. Edward Chan and Ms. Chan Ying Yu) may be subject to imprisonment for 2 years and Oi Wah HK may be subject to a fine of HK\$100,000, being the maximum penalty for committing each offence by breaching section 18 of the Money Lenders Ordinance. Such non-compliance incidents have been time barred under section 26

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of the Magistrates Ordinance. As these instances constitute non-compliance of the Money Lender Ordinance, we could not assure that our Money Lenders Licence could be renewed. For further details, please refer to the section headed “Business — Regulatory compliance” in this prospectus.

Potential claims on surplus on disposal of collaterals

During the Track Record Period, upon the expiry of the pawn loans granted under our Money Lenders Licence, we sold the collaterals but did not return the surplus (being the excess amount of the sale proceeds of the collaterals after netting off the principal loan amount and accumulated interests) from such disposal to our customers, save for one incident where we have returned the surplus in the amount of HK\$86,000 to a customer in October 2012. Borrowers may bring legal action against our Group to claim for such surplus. The aggregate amount of surplus on disposal of collaterals relating to our pawn loans granted under our Money Lenders Licence up to the Latest Practicable Date amounted to approximately HK\$1.0 million. For details, please refer to the section headed “Business — Our principal business activities — Pawn loan services — Default in repayment” in this prospectus. In the event that the borrowers bring legal actions against our Group to claim these surplus, our reputation may be adversely affected.

Breach of the tenancy agreement

Pursuant to the tenancy agreement entered into between Oi Wah HK and the landlord on 8 April 2008 in respect of the premises of one of our Pawnshops, the lease shall be personal to Oi Wah HK which shall not sublet or in any way allow any person not a party to the tenancy agreement to use or occupy the premises. However, we have sublet part of the premises to a third party and the landlord has refused to grant us a written consent for the subletting, despite having knowledge of this situation. This amounted to a breach of contract which would entitle the landlord to terminate the tenancy agreement and exercise the right of re-entry to the premises. In the event that the landlord brings legal proceedings against our Group for repossession of the premises, our operations and reputation may be adversely affected.

Additions or alterations to the premises of Wai Wah Pawnshop without formal approval

There is a cockloft with an internal staircase in Wai Wah Pawnshop. According to Jones Lang LaSalle, there is no information available showing that formal approval has been granted for such additions or alterations by the relevant government authorities. Pursuant to the tenancy agreement for Wai Wah Pawnshop, if the property is to be rendered unfit for use and occupation or being declared unfit for use and occupation or becoming subject to a closure order, payment of rent, management fees and rates shall be suspended until the said premises be rendered fit for occupation and use or become accessible again or until the closure order has been removed. Pang & Co., legal advisers to our Company as to Hong Kong law, have advised us that notwithstanding the existence of the additions or alterations, the tenancy agreement for Wai Wah Pawnshop is valid and subsisting and in full force and effect in favour of our Group and we are entitled to exclusively possess the property for our quiet enjoyment subject to the terms of the relevant tenancy agreement. In the event that an order is being imposed by the relevant government authority to the

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premises where Wai Wah Pawnshop locates, the landlord may be required to remove the additions or alterations and the operation of Wai Wah Pawnshop may be required to be suspended until the additions or alterations have been removed.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our business is affected by changes in applicable rules and regulations

Our operations and financial results could be adversely affected by changes in government policies, relevant laws and regulations. As a pawnbroker and a licensed money lender in Hong Kong, we have to ensure, at all times, strict compliance with all applicable laws and regulations, in particular, the Pawnbrokers Ordinance and the Money Lenders Ordinance. Please refer to the section headed “Regulatory overview” for details.

The regulatory authorities may from time to time amend existing or adopt new laws and regulations applicable to pawnbrokers and licenced money lenders in Hong Kong. These changes may impose new restrictions on the way we operate or expand our business or requires additional licences or permits for our business operations. In this connection, there is no assurance that we are able to comply with the new requirements, including significant modification or cessation of part or whole of our current or future operations, on a timely basis. Such changes may significantly affect our business, results of operations, financial conditions and prospects in the future. Furthermore, any failure by us to adhere to the applicable laws and regulations may result in imposition of penalties or regulatory action by the relevant governmental authority. Any of these actions may have an adverse impact on our business, operation results and financial conditions. Our Directors confirmed that since the commencement of our operation up to the Latest Practicable Date, there had not been any material breach of any applicable laws and regulations on the part of our Group except for certain incidents including breaches of the Money Lenders Ordinance. For details, please refer to the section headed “Business — Risk Management — Regulatory risks regarding our Group’s compliance with the Money Lenders Ordinance” in this prospectus.

Currently, the interest rate we offer to customers shall not exceed the prescribed monthly interest rate of 3.5% per lunar month for pawn loans granted pursuant to the Pawnbrokers Ordinance and the maximum effective interest rate of 60% per annum as provided by the Money Lenders Ordinance for pawn loans and mortgage loans granted pursuant to our Money Lenders Licence. The lowering of the legal limits on the interest rates that we can offer as a result of any changes to the relevant laws, rules and regulations may adversely affect the profitability of our Group and our operating results and financial performance may be adversely affected.

There is uncertainty in the licensing regime under the Pawnbrokers Ordinance and any change of interpretation of the relevant laws and regulations by the Commissioner of Police and the Police Licensing Office may affect our business operation

The Pawnbrokers Ordinance and the Pawnbrokers Regulations provide limited information on the licensing regime for pawnbrokers in Hong Kong. There are uncertainties in the legislation such as the transfer of Pawnbrokers Licence and the

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change of name of the licence holder. The licensing regime for pawnbrokers is managed by the Commissioner of Police and the Police Licensing Office. There is no assurance that the interpretation of the relevant laws and regulations by the Commissioner of Police and the Police Licensing Office will remain the same and any change of interpretation may adversely affect our business operations.

There are intense competition in both the pawn loan industry and the mortgage industry

In 2011, there were 150 pawn loan service operators and 829 licensed money lenders in Hong Kong of various scale of operations respectively. Our Directors therefore believe that competition in both the pawn loan and mortgage loan industries are intense. Particularly for the mortgage loan industry, we have to compete with competitors who may have more established reputations and longer operating history, a wider range of loan products or lower cost of funding. As a result, we may have to compete by lowering the interest rates charged on loans in order to win business. Failure to maintain or enhance our competitiveness within both the industries or maintain our customer base with good credit standing may result in decrease in profit as well as loss of market share. Consequently, our financial performance and profitability may be adversely affected.

RISKS RELATING TO THE SHARE OFFER

There has not been any prior public market for the Shares and an active trading market may not develop

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Share Offer, there has been no public market for the Shares. The Offer Price range has been determined through negotiation between our Company and CISL (for itself and on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the trading price of the Shares will not decline below the Offer Price.

The trading price of the Shares may also be subject to significant volatility in response to, among others, the following factors:

- variations in our operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by us or our competitors;
- changes in investors' perception of our Group and the investment environment generally;
- developments in the pawn loan and mortgage industry;

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- changes in pricing made by us or our competitors;
- the liquidity of the market for the Shares; and
- general economic environment and other factors.

The trading volume and share price of the Shares may fluctuate

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices for the merchandise sold could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Future sales of substantial amounts of the Shares in the public market may adversely affect the prevailing market price of the Shares

Except for the Shares issued in the Share Offer, our Company has agreed with CISL (for itself and on behalf of the Underwriters) not to issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of CISL (for itself and on behalf of the Underwriters). Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date. CISL (for itself and on behalf of the Underwriters) may, in its discretion, waive or terminate these restrictions. Please refer to the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer” in this prospectus for a more detailed discussion of restrictions that may apply to future sales of the Shares. After these restrictions lapse, the market price of the Shares may decline as a result of sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Share Offer. Therefore, purchasers of our Shares in the Share Offer will experience an immediate and substantial dilution in the unaudited pro forma adjusted

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net tangible assets to approximately HK\$0.55 per Share, which is calculated based on the maximum Offer Price of HK\$0.98 per Share. If we issue additional Shares in the future, purchasers of our Shares may experience further dilution in their ownership percentage.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are issued upon the exercise of Share options. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Certain facts and other statistics in this prospectus are derived from various sources including various official government publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. 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. Whilst our Directors have taken all reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media and/or research analyst coverage regarding us, our business, our industry and the Share Offer. You should rely solely upon the information in this prospectus in making your investment decisions regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.