
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS ACTING IN CONCERT

On 8 June 2012, the Chan Family entered into an acting-in-concert declaration, whereby, among other things, they confirmed that since March 2000, they have been managing and operating the business of Oi Wah HK, Wai Wah Pawnshop and Hing Wah Pawnshop collectively and would through discussions reach consensus among themselves before reaching any commercial decisions on an unanimous basis. Pang & Co., legal advisers to our Company as to Hong Kong law, advised us that the said acting-in-concert declaration is legal and valid under Hong Kong law.

The Chan Family further confirmed that they were given sufficient information and time to consider and discuss the issues before making any decision. Since March 2000, all decisions were made unanimously at the relevant meetings by the Chan Family.

The Chan Family had further jointly and severally undertaken that, during the period they remain in control of our Group (before and after the Reorganisation), they will maintain the acting-in-concert relationship.

As such, Chan Family and Kwan Lik, as a group of Shareholders entitled to exercise more than 30% of the voting rights at general meeting of our Company, are together regarded as our Controlling Shareholders. Upon completion of the Share Offer and the Capitalisation Issue, our Controlling Shareholders will together own 75% of the total issued share capital of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates (other than our Group) after the Share Offer.

(i) Financial independence

The amounts due to Shareholders were approximately HK\$40.5 million, HK\$43.7 million, HK\$42.0 million and HK\$45.0 million as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, respectively. All of these interest-free 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 rate offered to us by banks in Hong Kong, would amount to approximately HK\$2.9 million, HK\$2.2 million, HK\$2.5 million and HK\$2.0 million respectively. Our Directors further confirm that such notional interests, had they been incurred, would not have materially affected the financial performance of our Group during the Track Record Period.

The secured bank overdrafts of approximately HK\$0.6 million, HK\$2.3 million, HK\$0.9 million and HK\$0.7 million as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, respectively, were secured by personal guarantee deposits provided by Mr. Chan Chart Man and Ms. Mui and the unsecured bank loans of approximately nil, nil, HK\$2.5 million and HK\$5.0 million as at 28 February 2010, 28 February 2011, 29 February

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2012 and 30 November 2012, respectively, were jointly guaranteed by Mr. Chan Chart Man and Mr. Edward Chan. As at the Latest Practicable Date, the respective banks providing us with the secured bank overdrafts and unsecured bank loans have all given their consents that the guarantee deposits and guarantees of the secured bank overdrafts and unsecured bank loans would be released and replaced by a corporate guarantee to be given by our Company upon Listing.

We had entered into an uncommitted revolving term loan facility in July 2012 with a bank for an amount up to HK\$55,000,000 or 80% of the aggregate principal amount of loan receivables from customers in respect of our first mortgage loan services. Mr. Chan Chart Man and Mr. Edward Chan act as guarantors to such facility. We had applied to the said bank for the termination of the personal guarantees provided by them and replacement of such guarantees with the corporate guarantee on similar terms to be provided by our Company upon the Listing and the said bank has provided their consent in this regard.

We have been granted by a bank an unsecured overdraft facility in the amount of HK\$15.0 million in September 2012, whereby Mr. Chan Chart Man and Mr. Edward Chan act as guarantors to such facility. We have informed the said bank that the guarantee provided by Mr. Chan Chart Man and Mr. Edward Chan shall be released and replaced by a corporate guarantee to be given by the Company upon Listing and the said bank has provided their consent in this regard.

We have also been granted by a bank a term loan facility in the amount of HK\$8.76 million in February 2013 to finance our profits tax payment, whereby Mr. Chan Chart Man and Mr. Edward Chan act as guarantors to such facility. We have informed the said bank that the guarantee provided by Mr. Chan Chart Man and Mr. Edward Chan shall be released and replaced by a corporate guarantee to be given by the Company upon Listing and the said bank has provided their consent in this regard.

We are in the course of negotiating with other banks for the provision of other financial resources which will be guaranteed by our Company upon Listing.

Save for the above and the personal guarantees provided by Mr. Edward Chan and Mr. Chan Chart Man to relevant landlords of our Cheung Wah Pawnshop, Kwong Wah Pawnshop and Heng Wah Pawnshop for the benefits of our Group on normal commercial terms, particulars of which are set out in the section headed “Notifiable transactions and connected transactions” in this prospectus, we are financially independent of our Controlling Shareholders and their respective associates. Our Directors confirm that our Group will not receive or rely on any future financial support from our Controlling Shareholders. In addition, we have sufficient capital to operate our business independently upon Listing, and have adequate internal resources and a strong credit profile to support our daily operations.

(ii) Operational independence

Despite the fact that we will have certain continuing connected transactions by leasing certain properties from Mr. Chan Chart Man or companies controlled by him, particulars of which are set out in the section headed “Notifiable transactions and connected

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transactions” in this prospectus, having considered that (i) we have established our own organisational structure comprising of individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with the Controlling Shareholders and/or their associates; (iii) our Group may lease properties at other locations for its Pawnshop operations and/or office premises in substitution for and/or in addition to the said properties leased by Mr. Chan Chart Man or companies controlled by him, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

(iii) Management independence

As at the Latest Practicable Date, no executive Director has overlapping roles or responsibilities in any business other than our business nor has any business which competes or is likely to compete, either directly or indirectly, with our business.

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 interest to exist. 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 meeting of the Board in respect of such transaction and shall not be counted in the quorum.

RULE 8.10 OF THE LISTING RULES

Prior to its deregistration in June 2003, Sincere Treasure was engaged in property development. Sincere Treasure completed a residential project in Shamshuipo known as Po Wah Court in 1999. For this project, Hoo Chart Enterprise had offered to provide second equitable mortgage loan to the buyers. As at the Latest Practicable Date, there were still two outstanding mortgage loans, which amounted to approximately HK\$194,000 and HK\$330,000 respectively. According to the payment schedule, these two outstanding loans will be fully redeemed in March 2019 and May 2029, respectively. Hoo Chart Enterprise is a real estate investment company with no business other than the two outstanding loans and is not engaged in nor seeking any business opportunity which competes or is likely to compete with our Group’s business.

Save as disclosed above, none of the Controlling Shareholders and our Directors has any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally irrevocably and unconditionally undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that it or he or she would not, and would procure that its

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or his or her associates (other than any member of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his or her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the current businesses of our Group (the “Restricted Business”). Such non-compete undertaking does not apply to:

- (i) any interests in the shares of any member of our Group; or
- (ii) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (b) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate; or
 - (c) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed and traded on the Stock Exchange; (ii) as far as each Controlling Shareholder is concerned, it or he or she or its or his or her associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholders and/or their respective associates are entitled to jointly or severally exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of our Company.

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Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- the independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-competition;
- our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company; and
- our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.