
RISK FACTORS

Investors should read this entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our Shares could decline, and you may lose all or part of your investment.

We operate our business using structure contracts and are subject to certain risks, for details, please refer to the section “Risks relating to the Contractual Arrangements.”

RISKS RELATING TO OUR BUSINESS

Any inability to effectively manage default risk of our loans and maintain a low impaired loan ratio may have a material adverse impact on our business, results of operations and financial condition.

The sustainability of our business and future growth depends largely on our ability to effectively manage the default risk of our loan portfolio and maintain a low impaired loan ratio. As such, any increase in the impaired loan ratio and deterioration in our loan portfolio quality could materially and adversely affect our results of operations. Our impaired loan ratio was 0.3%, 0.2%, 0.6% and 0.1% as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. We may not be able to effectively control the level of loan defaults in the future. Our impaired loan ratio may increase in the future due to a variety of factors, including factors beyond our control, such as a slowdown in economic growth in the PRC, and in particular, in Jiangsu Province, a deepening of a global credit crisis or other adverse macroeconomic trends which may cause operational, financial and liquidity problems for our customers thereby affecting their ability to make timely loan repayments. If our level of customer defaults increases, our business, results of operations and financial condition may be materially and adversely affected.

The values of collateral securing our loans are subject to change, and may fall below the outstanding amount of the loans and thus be insufficient to cover our loss in the event of a customer default.

All of our loans are secured by collateral. The principal amount of each loan we grant to a loan applicant is individually negotiated with the applicant but is capped at an amount that is directly proportional to the appraised value of the collateral at the time we granted such loan. The weighted average appraised loan-to-value ratio was 58%, 57%, 52% and 54% for loans secured by real estate collateral and 41%, 42%, 29% and 30% for loans secured by equity interest collateral as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The value of our collateral may decline and may be materially and adversely affected by a number of factors, including factors beyond our control, such as damage, loss, oversupply, devaluation or reduced market demand or, in the case of equity interest collateral, any downturn in the business or financial condition of the related company.

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A significant portion of our loans are secured by real estate collateral. The growth of the real estate industry and prices of real estate in the PRC are significantly influenced by macroeconomic policies of the PRC government, such as interest rate and credit policies. A slowdown in the PRC economy, or the adoption by the PRC government of more restrictive policies to cool down the property market, may lead to a downturn in the PRC 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 and interest balance of such loans. Moreover, compared with real estate collateral, there might not be a market in which equity interest collateral can be readily disposed of in the event of default.

Our risk control policy requires ongoing monitoring of borrowers' financial conditions and the value of the underlying collateral for Substantial Loans. However, this policy may not be implemented in a timely manner or we may experience difficulties in the process of implementation and as a result, we may not always have updated information about the borrower's financial condition and valuation of such collateral. In addition, the value of the equity interest of a company is usually closely tied to the economic and financial conditions of the company and sometimes to the efforts of the original shareholders, both of which are out of our control. If the value of such collateral proves to be inadequate to cover the outstanding amount of the related loans, we may need to obtain additional security from our customers or other sources, and we cannot assure you that we could do so in a cost-efficient way, or at all.

If the value of the underlying collateral falls below the outstanding amount of a loan, the loan will not be adequately secured, and as a result may subject us to enhanced credit risk if the borrower defaults on such loan.

We may not be able to successfully enforce our rights to the underlying collateral or guarantees relating to our loans, or enforce our rights to repossess assets underlying our loans, and we may not be able to recover the full outstanding amount of a loan by disposing of the underlying collateral when the loan is in default.

When a borrower defaults on a loan, we may negotiate with the defaulting borrower whereby the borrower may agree to forfeit the collateral to offset the outstanding loan amount. If the customer does not agree to negotiate, or if, having agreed to negotiate, cannot reach an agreement with us, we are contractually entitled to enforce our rights over the collateral by repossessing and disposing of the collateral to recover the outstanding loan amount. To enforce our right to dispose of the collateral, we need to institute proceedings in the People's Court for the collateral to be sold by means of auction or otherwise.

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 in accordance with the Security Law of PRC, the Property Law of PRC and other relevant laws and regulations may be difficult for legal and practical reasons. We have been advised by our PRC Legal Adviser that, according to applicable laws and regulations, the People's Court shall complete the enforcement process within six months after the judgment comes into effect. In addition, under PRC law, our rights to any collateral securing our loans may be subordinated to other claims. For example, according to the PRC Enterprises Bankruptcy Law, claims for the amount that a company in bankruptcy owes its employees prior to 27 August 2006 (being the date of publication of the PRC

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Enterprises Bankruptcy Law), including but not limited to salaries, medical insurance and pension benefits, will have priority over our rights to collateral if not adequately provided for in liquidation proceedings.

According to our risk control policy, we require all of our loans secured by equity interest collateral to be secured by third-party guarantees. In the event of any material default on principal or interest payment terms, we are entitled to enforce our security rights over any collateral or guarantee and/or repossess and dispose of the collateral underlying our loans to realise their value. A significant deterioration in the financial condition of guarantors could significantly decrease the amounts we may recover under such guarantees. Moreover, an aggregate amount of RMB85 million of our loans were secured by second charge on the collateral as of 30 June 2013. If a borrower defaults on such a loan, the proceeds from the disposal of the underlying collateral will first be applied to the repayment of the outstanding amount secured by the first charge, and the remaining amount will be applied to the repayment of outstanding amount owed to us. If such proceeds are insufficient to cover the aggregate outstanding amount secured by the first and second charges, we will not be able to recover the outstanding amount owed to us in full. For more details, see “Business — Short-term Secured Financing Business — Collateral Appraisal” of this prospectus.

If we are unable to bring an enforcement action with respect to any collateral or any guarantee underlying our loans or to repossess and dispose of such collateral on a timely basis or at all, it may have a material adverse effect on our asset quality, financial condition or results of operations.

Our risk management system and internal control policies may not be effective in mitigating our risk exposures.

Our risk management systems and internal control policies may not be effective in mitigating our exposure to all or any types of risk, including unidentified or unanticipated risks. Some of our risk management and control methods are based upon historical market behaviour and past events. As such, we may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the majority of our customers are private SMEs, the credit history and financial conditions of which tend to be more difficult to evaluate or verify compared with large stated-owned enterprises and public companies. In addition, the information infrastructure in the PRC is relatively undeveloped and there is no extensive and unified nationwide credit information system. As such, we are only able to rely on limited publicly available resources and our internal resources to assess credit risks associated with a particular customer. Our assessment may not be based on complete, accurate or reliable information. Furthermore, if we start to offer new financial services, we may not be in a position to adequately identify and predict future risk exposures associated with such new services. In addition, management of operational, legal or regulatory risks requires various sets of policies and procedures in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of our risk management procedures or any failure to identify applicable risks may have a material adverse effect on our results of operations and financial condition.

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Our collateral appraisal and monitoring is based on limited information available to us and might be inaccurate, unreliable or outdated.

Our collateral appraisal process is a crucial part of our loan application review process. Pursuant to our risk control policy, the appraised loan-to-value ratios of our loans to customers secured by real estate and equity interest collateral are capped at 70% and 50%, respectively. Our collateral appraisal is based on information submitted to us by the applicant and public information we can obtain, which is often limited and may involve a high degree of uncertainty.

In particular, our appraisal of the equity interest collateral of an enterprise is based mainly on the net asset value of the enterprise as reported in its most recent financial statements. Many of these enterprises are SMEs and may have weak accounting controls and lack the expertise and resources to prepare accurate and audited financial statements or reports. As a result, enterprises that pledge their equity interest to us as collateral often provide financial statements or reports that are not prepared in accordance with generally accepted accounting principles. In addition, we require customers with outstanding loans secured by equity interest collateral to provide monthly financial reports of the relevant enterprises as one of the means to monitor the collateral value and loan recoverability. In many cases, these financial statements or reports are unaudited by independent professionals. Moreover, there is no guarantee that the relevant information in such unaudited financial statements accurately reflect the relevant companies' financial conditions, or that there is no significant deficiency or inaccuracy in such financial statements or reports. As we have limited resources and channels through which we can verify information submitted to us for appraisal purposes, there is inherent uncertainty in our appraisal results. Inaccurate appraisal results may render our loans under-collateralised and subject us to higher credit risk, which could have a material adverse effect on our financial condition and results of operations.

In addition, the value of the underlying collateral is subject to change during the term of a loan. For example, the value of real estate is subject to market fluctuations, changes in regulatory policies, fires and other events that may impact the value of a specific property. Since December 2011, we engaged a third-party appraisal company to evaluate the real estate collateral values of all outstanding loans every half a year to ensure that there is no significant decrease in the values of the collateral, but there is no guarantee that such third-party appraisal will accurately reflect the up-to-date values of the real estate collateral. The value of an enterprise's equity interest is subject to a variety of factors, including but not limited to, change of financial position of the enterprise and the shareholders, the operational results of the enterprise, as well as general economic conditions. We have no means of controlling or obtaining updates on many of these factors. It is also more difficult to assess changes in equity interest values due to the limited liquidity associated with such equity interest. Any significant changes in collateral value may render our initial appraisal results inaccurate or outdated, which may have a negative impact on our risk control assessment.

The calculation of an appraised loan-to-value ratio does not take into consideration interest accumulated on the loan or any change of the collateral value during the term of the loan. Accordingly, our calculation of appraised average loan-to-value ratio is also subject to limitations on the information available to us and might be outdated.

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We have limited information regarding our customers, and we may not be able to detect fraud in the information provided by our customers in their loan applications or during the term of the loans.

There is very limited publicly available information in China about the businesses of SMEs or the individual customers to which we extend loans. We rely on our branch managers and risk control managers to conduct due diligence in respect to our SMEs and individual customers and to obtain the information necessary to enable us to make prudent decisions. We cannot assure you that our due diligence will uncover all material information necessary to make a fully informed or correct decision, nor can we assure you that our due diligence efforts will be sufficient to detect frauds perpetrated in the application for, or during the term of, our services. If we approve a customer's loan application in reliance on information that later turns out to be fraudulent, incorrect, incomplete or otherwise deficient, or if our appraisal of the value of the underlying collateral was much higher than the actual value, we may suffer significant losses and, as a result, our business, financial condition and results of operations may be negatively affected.

Our growth is limited by our ability to increase the registered capital of the PRC Operating Entity, which is subject to government review and approval.

MOFCOM maintains tight control over capital available to short-term secured financing service providers, which consists primarily of paid-in capital, bank loans and retained earnings. Paid-in capital is capped at the registered capital amount. According to the Pawning Measures, if we intend to change the registered capital of the PRC Operating Entity and after the change the registered capital would be over RMB50 million, the change has to be approved by the competent department of commerce at the provincial level as well as MOFCOM. The total outstanding amount of bank loans we may obtain may not exceed the total equity as stated in the annual financial report of the PRC Operating Entity for the previous financial year. In case of any violation of the above provision regarding the total outstanding bank loan amount, we may be ordered by the competent department of commerce at the provincial level to comply or be subject to a fine between RMB5,000 and RMB30,000. Since 2005, we have obtained five approvals from relevant PRC government authorities and our registered capital increases from RMB5 million to RMB500 million. We cannot assure you that we will obtain necessary government approvals in our future applications to increase the approved registered capital of the PRC Operating Entity. If we cannot obtain relevant governmental approvals to expand our operations, our ability to grow our existing business may be limited.

We recorded net cash outflow from operating activities during the Track Record Period and we may record net cash outflow from operating activities in the future as we expand our business.

We recorded net cash outflow from operating activities of RMB246.4 million, RMB133.9 million and RMB32.6 million in the years ended 31 December 2010, 2011 and 2012, respectively, primarily due to the amounts of short-term secured loans we granted to our customers. For more details, see "Financial Information — Liquidity and Capital Resources — Net Cash Flow from Operating Activities" in this prospectus.

We may record net cash outflow from operating activities in the future as we expand our business and increase the aggregate loan amount we grant to customers. We may also experience increased net cash outflow from operating activities. Although we have been taking initiatives to collect Overdue Loans since the second half of 2011, there can be no assurance that we will be able to

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fully collect outstanding principal amounts and unpaid interest when our loans become due. A significant increase in Overdue Loan amounts may result in a significant increase in our net cash outflow from operating activities for a given period, which may in turn have a material adverse effect on our results of operations and our ability to repay our bank borrowings when they become due.

Our provisions for impairment allowance may not be adequate to cover actual losses, and we may need to increase our provisions for losses to cover such future losses.

The gross amount of the loans for which individually assessed impairment allowances were recognised in full amount was RMB1.4 million, RMB1.3 million, RMB4.0 million and RMB0.5 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The collectively assessed impairment allowances were RMB4.3 million, RMB3.0 million, RMB2.6 million and RMB4.0 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The amount of allowances we have recognised is based on our management's current assessment of, and expectations concerning, various factors such as the customers' financial condition and repayment ability, the recoverable value of collateral, national and regional economic conditions, government policies, and interest rates environment. Many of these factors are beyond our control and as a result our assessment and expectations on these factors may differ from actual development. In addition, our outstanding loans aged 6 months to 1 year increased significantly from RMB7.1 million as of 31 December 2012 to RMB266.6 million as of 30 June 2013, among which an aggregate amount of RMB250.6 million were renewed loans. No individually assessed impairment allowance was provided for such loans as of 30 June 2013. For more details, see "Financial Information — Description of Certain Line Items in the Consolidated Statements of Financial Position." Such increase in aged outstanding loan amount could have an adverse effect on our loan portfolio quality. If our assessment and expectations differ from actual events, our allowance may not be adequate to cover our actual losses and we may need to take additional provisions, which could materially and adversely affect our results of operations and financial condition.

We may be unsuccessful in obtaining the requisite licenses for the establishment of new branches or the new services we are planning to offer.

We currently operate 11 branches in Jiangsu Province. We plan to expand our business operation by opening additional branches in Jiangsu Province and potentially nationwide. In accordance with relevant PRC laws, the establishment of a new branch must be approved by relevant PRC government authorities, including MOFCOM's counterparty at the provincial level and the public security bureau at the provincial level, and filed with MOFCOM. 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 will be able to obtain the requisite licenses for the establishment of any of our new branches. In addition, we cannot assure you that we will be able to obtain approvals for licenses for the new services we are planning to offer in a timely matter, or at all. If we fail to obtain such requisite licenses, our business growth may be adversely affected.

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We have in the past failed to comply with various aspects of the Pawning Measures in the Track Record Period, and non-compliant transactions in the future, if any, could result in fines, sanctions or other penalties.

Historically, there were incidents where the PRC Operating Entity was not in compliance with the Pawning Measures in the following respects:

- i. providing individual loans secured by real estate collateral in amounts exceeding the maximum principal amount of loans secured by real estate collateral permitted by the Pawning Measures, namely 10% of the then-approved registered capital of the PRC Operating Entity;
- ii. providing a particular customer loans the aggregate amount of which exceeds the maximum amount permitted by the Pawning Measures, namely an amount equal to 25% of the then-approved registered capital of the PRC Operating Entity;
- iii. charging a monthly composite administrative fee on an individual loan that exceeded the relevant threshold allowed by the Pawning Measures;
- iv. borrowing funds from entities other than commercial banks which is not permitted under the Pawning Measures;
- v. providing loans secured by equity interest collateral with an aggregate outstanding balance exceeding 50% of the then-registered capital of the PRC Operating Entity; and
- vi. providing loans secured by real estate collateral with an aggregate outstanding balance exceeding an amount equal to the then-registered capital of the PRC Operating Entity.

The Pawning Measures provide for fines of between RMB5,000 and RMB30,000 for each incident of non-compliance, although there is uncertainty as to the penalties that might be imposed due to the significant discretion the relevant authorities have in assessing penalties. We have been advised by our PRC Legal Adviser that there is uncertainty as to how any penalty might be applied to a particular incident of non-compliance. As of the Latest Practicable Date, no penalties for any incidents of non-compliance had been imposed upon us by any relevant PRC authority and based on our verbal consultations with an official of the Suzhou Bureau of Commerce (蘇州市商務局) on 19 April 2012 and with officials of DOC Jiangsu on 12 June 2012 and 7 August 2013, the possibility that penalties might be imposed on the PRC Operating Entity due to the above-mentioned incidents of non-compliance are remote. However, we cannot assure you that the PRC government authorities will not in the future take action to impose penalties on us due to our historical or potential future non-compliance including but not limited to imposing monetary penalties in accordance with the Pawning Measures. For more details on our non-compliance and remedial measures, see “Business — Legal Proceedings and Compliance — Historical Non-compliance” in this prospectus.

Our business is concentrated in the Greater Suzhou Area and if the economy of the Greater Suzhou Area significantly deteriorates, our financial condition and results of operations may be materially and adversely affected.

As of the Latest Practicable Date, we operated 11 branches that are all located in the Greater Suzhou Area. Although we are exploring opportunities to expand our business in Jiangsu Province and nationwide, we expect that the growth of our business will continue to be concentrated in the

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Greater Suzhou Area in the foreseeable future. A significant economic downturn in the Greater Suzhou Area may reduce the demands for short-term secured financing services and affect our customers' ability to repay outstanding loan amounts, and as a result materially and adversely affect our financial condition and results of operations.

Our high customer concentration may subject us to fluctuations or declines in revenue.

We currently derive a substantial portion of our interest income from a limited number of customers, which are primarily SMEs in the Greater Suzhou Area. Our top 5 customers in terms of interest income in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 accounted for 34.4%, 30.4%, 28.3% and 44.5% of our total interest income from loans to customers of the corresponding periods, respectively. Our largest customer in terms of interest income in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 accounted for 9.4%, 7.3%, 11.1% and 15.3% of our total interest income from loans to customers of the corresponding periods, respectively. We cannot assure you that we will be able to maintain or improve our relationships with these customers, or that we will be able to continue to provide loans to these customers at current levels or at all. If our major customers stop using our financing services and we are unable to find alternative customers to offer short-term financing services at comparable scales, our revenue may fluctuate or decline as a result.

A significant portion of our income is derived from SMEs, which may be more susceptible than larger businesses to adverse changes in market conditions, competition and general economic conditions and therefore may present a higher default risk.

Our business relies heavily on SMEs to generate income. SMEs may be subject to significant variations in operating results because they often engage in rapidly evolving and volatile businesses and industries, require additional capital to support their operations and expansion or to maintain their competitive position, and otherwise may have a weak financial position or be adversely affected by changes in the business cycle. Our SME customers may have weak accounting controls and lack the expertise and resources to prepare accurate audited financial statements on which we rely to evaluate their creditworthiness. As a result, they may be unable to meet collateral requirements typically imposed by banks in China when such banks extend loans to corporate borrowers. Various factors may affect an SME customer's ability to repay its loan granted by us. Such factors include the failure to meet its business plan, a downturn in its industry and negative economic conditions. Accordingly, SMEs may pose increased risks relating to default relative to large enterprises.

We may not be able to obtain sufficient funds on commercially acceptable terms to finance our operations or expansion plans, or at all.

Due to the capital-intensive nature of our business, a substantial amount of capital as well as ongoing funding is required to support our on-going operations, as well as to fund any future expansion. We have been financing our operations mainly through a combination of capital contributions from shareholders, borrowings from banks, and retained earnings. Pursuant to the Pawning Measures, we are prohibited from borrowing funds from any person other than commercial banks. As of 31 August 2013, we had credit facilities in the aggregate amounts of RMB80 million and RMB250 million with the Bank of Jiangsu and the Bank of Suzhou, respectively, of which we had drawn down RMB80 million and RMB170 million, respectively. The terms of our credit facilities with these two banks are both for one year, and we expect to renew our credit lines with the Bank of Jiangsu and the Bank of Suzhou upon expiration on 12 March 2014 and 31

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December 2013, respectively. If there are changes in international and/or domestic macroeconomic conditions and policies, or if we fail to maintain our existing and future loan arrangements on commercially acceptable terms with these two banks and fail to secure replacement loan arrangements with other banks, we cannot assure you that we will be able to continue to obtain adequate funding in the future on reasonable commercial terms, or at all. If sufficient financing is not available to meet our needs, or cannot be obtained on commercially acceptable terms, or at all, we may not be able to refinance our existing bank loans, fund the operation and/or expansion of our business, introduce new services or compete effectively.

Interest rate changes may adversely affect interest expense related to our borrowings, reduce net interest income and reduce demand for our financing services.

Our business is affected by interest rates, including both the interest rates we charge our customers for short-term secured loans and the interest rates we pay on our bank borrowings. Pursuant to the relevant loan agreements, the interest rates we pay for our bank borrowings were set based on the PBOC Benchmark Interest Rates as of the effective dates of the loan agreements, and are fixed during the terms of the loans. However, changes in PBOC Benchmark Interest Rates affects the interest rates we pay for our bank borrowings when we renew such loans, which in turn affect our interest expense. The monthly loan interest we charge on a loan we grant to a customer equals the PBOC Benchmark Interest Rate for 6-month loans. In addition, the composite administrative fee rates we charge on our loans to customers are individually negotiated but often affected by the prevailing PBOC Benchmark Interest Rate, as a customer may demand a low composite administrative fee rate when the PBOC Benchmark Interest Rate is low. As a result, our net interest income is affected by whether we can adjust the composite administrative fees we charge our customers in response to fluctuations in the PBOC Benchmark Interest Rate in a timely manner. If we fail to appropriately adjust the composite administrative fees of the loans we grant in a timely manner, our profitability and results of operations might be adversely impacted.

In addition, changes in the relationships between market interest rates of short-term and long-term loans or between different interest rate indices (i.e., basis risk) could affect the composite administrative fee rates we charge our customers as well. Any increase in our interest expense or decrease in our net interest income could have a material adverse effect on our business, results of operations and financial condition.

Moreover, changes in China's macroeconomic policy, monetary policy and interest rate policy could have adverse effects on our business and on demand for pawn loans. For instance, on 7 June 2012, the PBOC announced the first interest rate cut since 2008 as well as other measures granting banks more autonomy over lending and deposit rates. A further rate cut was announced on 6 July 2012. Such rate cuts and policy changes could make ordinary bank loans more accessible and appealing to SMEs and other borrowers, making pawn loans less competitive and reducing our pricing power, which could reduce demand for our loans or force us to reduce our interest rates in order to maintain competitive. If demand for our loans is reduced or we are forced to cut our interest rates to maintain demand, our interest income and results of operations could be materially and adversely affected. In addition, this change in policy could indicate that there is a slowdown or potential slowdown in the PRC economy generally, which could reduce demand for loans, including pawn loans, and could materially and adversely affect our business and results of operations.

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We may not be able to pay our debts on a timely basis, or at all.

As of the Latest Practicable Date, we had outstanding bank loans with an aggregate principal amount of RMB250 million. We are usually able to renew our credit lines with the banks upon expiration. Our loan agreements with our lenders contain a number of covenants, undertakings, restrictions and default provisions that are typical in commercial loan contracts.

As of the Latest Practicable Date, none of our lenders had claimed any default against us under any of the provisions in the loan agreements. If we fail to comply with any of the requirements of our loans, or are unable to generate sufficient cash flows from our business operations, our lenders may be entitled to accelerate the maturity of loans granted to us or foreclose on collateral securing such loans, which would consequently materially and adversely affect our liquidity, business, financial condition and our ability to obtain future financing.

We depend on our senior management and key personnel.

The success of our business has been, and in future will continue to be, dependent on the continued services of our senior management and key personnel. Members of our senior management have contributed significant experience and expertise to our operations during their service with us. In particular, Mr. Wu Min, the President of our Company and the General Manager of the PRC Operating Entity, had 26 years of experience working in local branches of Industrial and Commercial Bank of China, one of the major state-owned commercial banks in China, before joining us and had served in various positions such as manager, vice president, and president of such local branches. In 2006, Mr. Wu won the National Labor Day Award, one of the most prominent awards issued by All China Federation of Trade Unions to recognise individuals with outstanding work ethics and contributions to society. Mr. Wu has expertise in finance as well as management and administration of financial institutions, which are critical to our business operations. Our Chief Financial Officer, Mao Zhuchun, has been a member of the Wuzhong Group for ten years and served as a manager of the Assets Audit Department of Wuzhong Group and the chief financial officer of Wuzhong Group, where his responsibilities included overall financial management and control and accounting system of Wuzhong Group and its then subsidiary. Other members of our management also have extensive experience in the pawn loan, banking and risk management areas. There is no assurance, however, that any or all of our senior management will continue their employment with us. If any of our senior management is unable or unwilling to continue his or her service with us, we may not be able to find a suitable replacement in a timely manner, or at all. The loss of the services of any of our 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 our business effectively.

Our continued success depends upon our ability to maintain the services of our existing employees and to attract and retain qualified personnel.

Our ability to maintain our operational efficiency and to expand our operations depends upon the continued service of well-trained employees. Our branch managers have an average of 20 years of experience in finance related industries, and some of our branch managers served as heads of branch offices of major local commercial banks prior to joining us. We rely on their in-depth local knowledge and extensive experience in commercial lending to identify potential credit risks associated with our loan applicants and hidden issues relating to the collateral during the collateral appraisal processes. Moreover, our branch managers have built long and on-going working

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relationships with many local SMEs and their proprietors, who trust the professionalism of our branch managers based on their past experiences. As a result our branch managers also serve critical roles in our customer acquisition and retention.

The loss of the services of our branch managers or other employees holding important positions or possessing industry expertise or experience, including those relating to matters such as risk management and accounting and financial management, could have a material adverse effect on our operations, business and prospects. We may be unable to replace qualified personnel in a timely manner or at all.

In addition, the planned expansion of our business to other areas in Jiangsu Province depends on our ability to attract and retain qualified personnel to support our future growth. Qualified individuals in the secured financing industry are in high demand and we may not be able to successfully attract, assimilate or retain all the personnel with the required industry expertise we need. We may also need to offer competitive compensation and other benefits to attract and retain key personnel and therefore cannot assure you that our compensation and benefits-related expenses will not increase unpredictably or at a greater rate than our revenue growth. Our failure to attract and retain qualified personnel and any significant increase in staffing costs could have a negative impact on our ability to maintain our competitive position and grow our business.

Our geographic and business expansion plans may not be successful.

Currently substantially all of the loans we grant are initiated in the Greater Suzhou Area. We plan to solidify our position as the market leader in Jiangsu Province by expanding our operations in other parts of Jiangsu Province. We are also exploring opportunities to expand into major cities and economic zones outside Jiangsu Province, such as the Yangtze River Delta area. We may incur significant costs in connection with the expansion of our business, and any failure to successfully implement our expansion plans may materially and adversely affect our business prospects.

Expansion of our business activities may expose us to potential risks and new challenges.

Our expansion plans involve significant risks and uncertainties, including:

- we may be unable to obtain required governmental approvals, permits and licenses to establish and expand our business in our target regions or areas;
- we may be unable to complete or implement our expansion plans at the expected costs or within the time periods we anticipate;
- we may encounter difficulties in obtaining adequate capital on reasonable terms or at all;
- we may encounter difficulties in establishing relationships with commercial banks or other business partners in our target regions or areas;
- our past non-compliance may result in our being penalized by the relevant authorities which could prevent us from receiving approval to establish additional pawn shop branches;
- we may be unable to duplicate our current risk control mechanisms in our targeted expansion regions or areas;

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- we may be unable to receive support from local government authorities in our target regions or areas;
- we may encounter difficulties in adapting to the cultural and business environment in our target regions or areas;
- we may encounter difficulties in competing with local market participants that have established a client base, business relationships and a reputation in our target regions or areas and in competing with other new entrants to these markets;
- we may be unable to secure customers to establish our market positions in our target regions or areas;
- we may encounter difficulties in obtaining an adequate and skilled workforce and an experienced management team to support our expansion; and
- the growth of our business may strain management resources and our operational and financial systems and controls.

If we are not able to successfully expand into new regions or business areas as planned, our financial condition and results of operations may be materially and adversely affected.

Our financial condition and results of operations will depend on our ability to effectively manage our future growth, and we may not be able to maintain our historical rate of growth.

We have grown significantly since the inception of our business. Our ability to sustain continued growth depends on our ability to identify, attract and evaluate new customers, to retain our existing customers, to maintain relationships with banks and other sales networks, and to introduce new products and services. Our ability to accomplish these goals on a cost-effective basis largely depends on our marketing capabilities, our management of the loan approval process, our ability to provide professional and efficient services, and our access to financing on acceptable terms. Our growth also significantly depends on our ability to attract, train and retain qualified employees, including technical, financial services, industry specialists and risk management personnel. We may not be able to sustain the rate of our growth due to increasing market saturation, competition, regulation and other factors. Failure to manage effectively any future growth could have a material adverse effect on our business, financial condition and results of operations.

In addition, our operating history coincides with a sustained period of economic expansion and growth in China. Accordingly, our historical results may not provide a sufficient and accurate basis upon which you can evaluate our future prospects in the event of a general economic downturn, recession or other adverse developments in China.

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

Fraud or other misconduct by our employees (such as unauthorised business transactions and breaches of our internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent and could subject us to financial loss and sanctions imposed by PRC governmental authorities and seriously harm our reputation. Our risk management systems,

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information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective. As a result, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may have a material adverse effect on our business, financial condition and results of operations.

We do not maintain any business insurance to cover our business risks.

We face various operational risks in connection with our business. However, we do not maintain any property or liability insurance, business interruption insurance, key man insurance or other insurance covering losses and damages resulting from various incidents, such as fraud or other misconduct committed by our employees or third parties, fire, severe weather conditions, earthquake, war, terrorism, flooding or power outages. Any losses and liabilities for which we are not insured or our insurance coverage is inadequate to cover the entire liability may have a material adverse effect on our business, financial condition and results of operations.

Our PRC Operating Entity uses “Wuzhong” and “Wuzhong Dian Dang” in Chinese characters in its company name and logo and we are currently unable to register that brand name and logo with the State Trademark Bureau of the PRC. As a result, we may face disruptions to our business operations and our brand name and logo may become vulnerable to third-party imitation or infringement.

As the leading short-term secured financing service provider in the Greater Suzhou Area, we believe market recognition of the “Wuzhong (吳中)” and “Wuzhong Dian Dang (吳中典當)” brand is significant to the success of our business. We tried to register “Wuzhong” and “Wuzhong Dian Dang” in Chinese characters as trademarks with the State Trademark Bureau in the PRC for use in the categories of pawning, guarantees, and pledges. However, we were advised by the State Trademark Bureau of the PRC that the name of an administrative district at the county level or above may not be used or registered as a trademark according to the PRC Trademark Law. “Wuzhong” in Chinese characters is identical to the name of the Wuzhong district of Suzhou City, a district at the county level, and therefore neither “Wuzhong” nor “Wuzhong Dian Dang” in Chinese characters may be registered as a trademark for use in any category.

Although the terms “Wuzhong” and “Wuzhong Dian Dang” in Chinese characters used by our PRC Operating Entity in the brand name and logo will not be entitled to trademark protection, our PRC Operating Entity has registered “Wuzhong Dian Dang” in Chinese characters as a trade name which is approved by the DOC Jiangsu and the Administration for Industry and Commerce of Suzhou City. To the best knowledge of our Directors, DOC Jiangsu maintains fairly tight control over the name of a pawnshop and will generally recommend a new pawnshop applicant to use a trade name different from that of a priorly established pawnshop. In addition, since our PRC Operating Entity has registered “Wuzhong Dian Dang” in Chinese characters as a trade name with the Administration for Industry and Commerce of Suzhou City, no other company may register “Wuzhong Dian Dang” in Chinese characters as a trade name or use the same in their business operation in the Greater Suzhou Area, since doing so would constitute an infringement of the trade name right of our PRC Operating Entity.

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Nevertheless, we cannot assure you that DOC Jiangsu or a department of commerce in another province will not approve a new pawnshop with a similar or even identical trade name to “Wuzhong Dian Dang” or “Wu Zhong” in Chinese characters used by our PRC Operating Entity. Also, if any company registers “Wuzhong Dian Dang” or “Wu Zhong” in Chinese characters as a trade name or uses the same in its business operation outside the Greater Suzhou Area, we may not be able to protect such brand name against such imitation because the terms “Wuzhong” and “Wuzhong Dian Dang” in Chinese characters are not entitled to trademark protection. Consequently, the public may be confused and may mistakenly associate the products, services or activities of those companies with ours, which may impair our reputation, disrupt our business operation and result in substantial costs and diversion of our financial and management resource.

We do not have all the relevant documentation for some of the properties leased to us, which may adversely affect our rights to use such properties.

As of the Latest Practicable Date, two of the leased properties with an total area of approximately 199.05 sq.m. were owned by co-owners and were leased to us by one co-owner without the written consent to lease from the other property co-owners. According to relevant PRC laws and regulations, the above lease agreements may not be valid and may also be subject to challenges by the other co-owners. We believe each of the above-mentioned leased property is not crucial to our business operations as replacement properties for leasing are readily available. However, if the lease agreements for these property are challenged or rendered invalid, we may need to procure replacements for such properties which may involve additional cost to us.

If we are forced to relocate any of our business operations as a result of the co-owner’s failure to receive other co-owners’ consent to lease, we would incur costs including rental costs, renovation and construction costs and other ancillary costs. For each such business operation that would be obligated to relocate, we estimate that we would incur an aggregate of approximately RMB400,000.

In addition, we have not registered all the lease agreements with the relevant PRC authorities. As of the Latest Practicable Date, we have completed the registration with the competent authority for 12 of the leased properties. According to the Administrative Measures for the Leasing of Commodity House (商品房屋租賃管理辦法), materials from the landlord, such as the original copy of business license, need to be provided to complete lease agreement registration. Therefore, for the other 3 lease agreements, as advised by our PRC Legal Advisers, failure to register these 3 lease agreements would not affect their validity. Nevertheless, pursuant to the Administrative Measures for the Leasing of Commodity House (商品房屋租賃管理辦法), the competent authority may order the Group to rectify within a specified time limit; failing to do so, a fine of less than RMB1,000 for individuals and of RMB1,000 to RMB10,000 for entities may be imposed.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

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

The Pawning Measures, which regulate the pawn loan business, do not explicitly permit foreign-invested companies to operate a pawn loan business in China. According to Article 71 of the Pawning Measures, rules and regulations governing the investment by foreign invested companies in the short-term secured financing business in the PRC will be separately announced by MOFCOM

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and other relevant authorities. According to the Foreign Investment Catalogue jointly promulgated by the NDRC and the MOFCOM on 24 December 2011, foreign investment in the pawn loan business is neither expressly prohibited nor restricted.

As of the Latest Practicable Date, no relevant rules and regulations have been announced by MOFCOM or DOC Jiangsu. According to the Administrative Licensing Law 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 a short-term secured financing 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 short-term secured financing business. By a letter dated 30 January 2012, DOC Jiangsu (which is, we have been advised by our PRC Legal Adviser, the department responsible for the supervision, administration and control of the pawn industry in Jiangsu) 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 Jiangsu. On 15 February 2012, we, our PRC Legal Adviser, and the PRC legal adviser to the Sole Sponsor met with certain officials of DOC Jiangsu for consultations and it was confirmed that the PRC governmental authorities currently do not as a matter of practice grant Pawn Operations Business Licences to foreign invested companies. We have been advised by our PRC Legal Adviser that such officials were competent to respond to the Company's inquiries. By a letter dated 8 May 2013, DOC Jiangsu further 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 Jiangsu. As there appears to be no legal basis upon which we as a foreign-invested company can directly own a pawn-loan business in China, we have established what is commonly referred to as a "VIE structure" in order to operate our business in China as has been done in a number of other industries in China in which similar legal and regulatory restrictions apply.

In order for us to operate our short-term secured financing business in China, various agreements that constitute the Contractual Arrangements have been entered into under which all economic benefits and risks arising from the business of the PRC Operating Entity are transferred to Huifang Tongda by means of management and operation fees payable by the PRC Operating Entity to Huifang Tongda. As we currently could not be granted a Pawn Operations Business Licence, we rely on the PRC Operating Entity to hold and maintain the licenses necessary to operate our short-term secured financing business in China. Further information on the Contractual Arrangements is set out in "Our History and Reorganisation — Contractual Arrangements" in this prospectus.

Our PRC Legal Adviser has advised us that there is the possibility that the PRC government may have different opinions on the interpretation of applicable PRC regulations and would not agree that these Contractual Arrangements comply with PRC licensing, registration or other legal or regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these Contractual Arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. Court rulings in the PRC cannot be searched or obtained from public or official channels unless such ruling has been published officially by the PRC Supreme Court as a "guiding case". As of the Latest Practicable Date, neither our PRC Legal Adviser nor us are aware of

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any case which adopted VIE contractual arrangements that has been officially published by the PRC Supreme Court as a “guiding case.” Accordingly, neither our PRC Legal Adviser nor us are aware of any precedents in which similar contracts adopted by companies engaged in the pawn business have been enforced and upheld in the PRC courts. Accordingly, we cannot assure that, were the contractual arrangements to be challenged in a PRC court, that such contracts would be enforced and upheld. If the contractual arrangements were not enforced and upheld, the protections described above would not protect the interests of shareholders and the Company could lose control of the PRC Operating Entity, be unable to consolidate its financial results with the PRC Operating Entity, and result in a material adverse effect on the value of the Shares.

MOFCOM promulgated the Rules of the Ministry of Commerce on the Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in August 2011, or the MOFCOM Security Review Rules, to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on 3 February 2011, or Circular No. 6. The MOFCOM Security Review Rules came into effect on 1 September 2011 and replaced the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM in March 2011. According to these circulars and rules, security review is required for: (i) mergers and acquisitions by foreign investors in domestic military industrial enterprises and military industry-related supporting enterprises, enterprises located near key and sensitive military facilities, and other entities relating to national defence; and (ii) mergers and acquisitions by foreign investors of domestic enterprises, which would impact national security, in the fields of important agricultural products, energy and resources, infrastructure, transport service, technology and major equipment manufacturing, etc and may result in foreign investors’ acquiring “de facto control” over those enterprises. Our short-term secured finance business does not fall into the above scope. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the MOFCOM will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. We and our PRC Legal Adviser met with an official of the Division of Foreign Investment Management of the Suzhou Commerce Bureau (蘇州商務局外商投資管理處) on 19 April 2012 for a consultation regarding the scope of the security review. During such consultation, such official advised that the pawn loan business conducted by us does not fall into a “compulsorily reviewed industries catalogue”, which is an internal list which the departments of commerce refer to when deciding the scope of security review within the PRC. We have been advised by our PRC Legal Adviser that MOFCOM is the competent authority to conduct the security review, and the Suzhou Commerce Bureau is the local counterpart of MOFCOM and is responsible for the daily supervision and administration of the PRC Operating Entity. The official of the Division of Foreign Investment Management of the Suzhou Commerce Bureau (蘇州市商務局外商投資管理處) confirmed that he responded to our inquiries with answers consistent with the “compulsorily reviewed industries catalogue” which is internally circulated by MOFCOM. Therefore, we and our PRC Legal Adviser believe that the advice from such official reflects MOFCOM’s policy in respect of the scope of security review. Our PRC Legal Adviser has advised us that based on the verbal consultation with the official, the possibility that we will be required by the competent authority to be subject to a security review is remote. However, our PRC Legal Adviser also advised us that as

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these circulars and rules are relatively new and there is a lack of clear statutory interpretation on the implementation thereof, there is no assurance that the MOFCOM will have the same view as we do when applying these national security review-related circulars and rules. Mr. Shen Danyang, a spokesman for MOFCOM, confirmed at a regular briefing on September 20, 2011 that there are currently no laws or regulations to regulate VIE structures, and MOFCOM and other related government agencies are studying ways to regulate such investment structures. Our PRC Legal Adviser has advised us that the M&A Rules were promulgated on August 8, 2006 and should be considered a part of the current laws and regulations referred to by Mr. Shen. Therefore, we believe that VIE structures are not currently explicitly regulated by the M&A Rules. Accordingly, we believe there is no need for us to obtain independent confirmation from MOFCOM as to whether the Contractual Arrangements would be considered a circumvention of the M&A Rules. However, our PRC Legal Adviser also advised us that there is the possibility that the State Council of the PRC or MOFCOM may interpret the Contractual Arrangements as a form of merger and acquisition, which could lead to a conclusion that MOFCOM approval of the Contractual Arrangements is required pursuant to the M&A Rules.

In addition, various media sources have recently reported that the CSRC has prepared a report for the State Council suggesting the regulation of the use of the VIE structure, such as ours, in the context of foreign investment in China and overseas listings. However, whether the CSRC did submit such a report, the specific content of such report and whether and when any further action will be taken by the State Council, CSRC, MOFCOM or any other PRC government authority regarding the use of the VIE structure is currently unclear.

Furthermore, the Pawning Measures stipulates that a transfer (or accumulated transfers) to a third party of more than 50% of the equity interests in a pawn loan company must be approved by the provincial level commerce authorities and MOFCOM. We have been advised by our PRC Legal Adviser that no laws or regulations in the PRC explicitly classify the Contractual Arrangements as a type of share transfer or equity interest transfer. Therefore, we believe the possibility that the Contractual Arrangements would be considered as a transfer of more than a 50% equity interest in the PRC Operating Entity is remote. However, our PRC Legal Adviser has also advised us that there is uncertainty in this regard and the relevant PRC authorities may have different opinions on this issue.

As a result, we cannot assure you that our Contractual Arrangements will not be found to be in violation of any current or future PRC laws and regulations. If we are found to be in violation of any existing or future PRC laws or regulations, including the Pawning Measures, the MOFCOM Security Review Rules and any future regulations regarding the use of the VIE structure promulgated by any PRC government authority, the relevant regulatory authorities would have broad discretion in dealing with such breach or violation, including:

- imposing economic penalties;
- restricting our right to collect revenues;
- revoking the business licences and/or the licences or certificates of the PRC Operating Entity;
- discontinuing or restricting the operations of the PRC Operating Entity;

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- imposing conditions or requirements in respect of the Contractual Arrangements with which we may not be able to comply;
- requiring us to restructure the relevant ownership structure or operations;
- voiding the Contractual Arrangements; and
- taking other regulatory or enforcement actions that could adversely affect our business.

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

We depend upon the Contractual Arrangements to conduct our secured financing business in China and receive payments through Huifang Tongda, which may not be as effective as direct ownership.

Since the PRC governmental authorities currently do not as a matter of practice grant Pawn Operations Business Licences to foreign invested companies, we conduct our short-term secured financing business in China and generate substantially all of our revenues through the Contractual Arrangements. The Contractual Arrangements may not be as effective in providing us with control over the PRC Operating Entity as direct ownership.

If we had direct ownership of the PRC Operating Entity, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the PRC Operating Entity, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the current Contractual Arrangements, we rely on the PRC Operating Entity and its shareholders' performance of their contractual obligations to exercise effective control. In addition, our Contractual Arrangements generally have a term of twenty years which is subject to Huifang Tongda's unilateral right of extension or termination. In general, neither the PRC Operating Entity nor its shareholders may terminate the contracts prior to the expiration date. However, the shareholders of the PRC Operating Entity may not act in the best interests of our Company or may not perform their obligations under these contracts, including the obligation to renew these contracts when their initial twenty-year term expires. Such risks exist and we expect them to continue to exist throughout the period in which we intend to operate our business through the Contractual Arrangements with the PRC Operating Entity. We may replace the shareholders of the PRC Operating Entity pursuant to our Contractual Arrangements with them and their shareholders when PRC laws and regulations permit such replacement. However, if any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. In addition, we have not purchased any insurance to cover the risks relating to the enforcement of the Contractual Arrangement. See "— Any failure by the PRC Operating Entity or its shareholders to perform their obligations under our Contractual Arrangements with them may have a material adverse effect on our business" below. Therefore, these Contractual Arrangements may not be as effective as direct ownership in providing us with control over the PRC Operating Entity.

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Any failure by the PRC Operating Entity or its shareholders to perform their obligations under our Contractual Arrangements with them may have a material adverse effect on our business.

The PRC Operating Entity and its shareholders may fail to take certain actions required for our business or to follow our instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with us, we may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which may not be effective.

In the event that we are not able to exert control over the PRC Operating Entity, for example, if the shareholders of the PRC Operating Entity were to refuse to transfer their equity interest in the PRC Operating Entity to us or our designee when we exercise the call option pursuant to these Contractual Arrangements, fail to use the loan accounts to increase the registered capital of the PRC Operating Entity, or if they were otherwise to act in bad faith toward us, then we may have to take legal action to compel them to fulfil their contractual obligations. In addition, we may not be able to renew these contracts with the PRC Operating Entity and/or its subsidiaries and shareholders if the beneficial owners of the PRC Operating Entity do not act in the best interests of our Company when conflicts of interest arise between their dual roles as beneficial owners and directors of both the PRC Operating Entity and our Company. See “— The shareholders of the PRC Operating Entity may have potential conflicts of interest with us, which may materially and adversely affect our business” in this prospectus.

All of the agreements that constitute the Contractual Arrangements are governed by PRC laws 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 the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with the CIETAC Arbitration Rules. If the PRC Operating Entity fails to perform its obligations under the Contractual Arrangements, we may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages which may not be effective. The legal environment in the PRC is not as developed as in certain other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements, which may make it difficult to exert effective control over the PRC Operating Entity, and our ability to conduct our business may be adversely affected.

We may suffer losses as the primary beneficiary of the PRC Operating Entity if we provide financial support to the PRC Operating Entity, and we may lose the ability to use and enjoy assets held by the PRC Operating Entity that are important to the operation of our business if the PRC Operating Entity declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Under the Contractual Arrangements, as the primary beneficiary of the PRC Operating Entity, we are not obligated to share the losses of the PRC Operating Entity nor are we obligated to provide financial support to the PRC Operating Entity under any circumstances. However, in the event that the PRC Operating Entity operates at losses or otherwise, we may decide and resolve, at our sole and absolute discretion, to provide financial support to the PRC Operating Entity in any manner permitted by relevant PRC laws in order to maintain its sound operations. As of the Latest Practicable Date, we have adopted a PRC Shareholders Loan Agreement with the PRC Operating

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Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders in order to effectuate the increase of the approved registered capital of the PRC Operating Entity by the Capital Contribution Amount.

In addition, the PRC Operating Entity holds certain assets that are important to our business operations, such as the Pawn Business License and the Special Industry License. Although relevant agreements under the Contractual Arrangements between Huifang Tongda, Huifang PRC, the PRC Operating Entity and its shareholders contains terms that specifically obligate the shareholders of the PRC Operating Entity to ensure the valid existence of the PRC Operating Entity and that the PRC Operating Entity may not be voluntarily liquidated, in the event the shareholders breach this obligation and voluntarily liquidate the PRC Operating Entity, or the PRC Operating Entity declares bankruptcy, and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if the PRC Operating Entity undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, results of operations and financial condition.

The shareholders of the PRC Operating Entity may have potential conflicts of interest with us, which may materially and adversely affect our business.

Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) are the ultimate shareholders of the PRC Operating Entity. Messrs Chen Yannan (陳雁南) and Zhuo You (卓有) are our Directors. We provide no incentives to Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Wei Xingfa (魏興發) and Yang Wuguan (楊伍官) for the purpose of encouraging them to act in our best interests in their capacity as the shareholders of the PRC Operating Entity. We may replace Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Wei Xingfa (魏興發) and Yang Wuguan (楊伍官) as the shareholders of the PRC Operating Entity at any time pursuant to the Exclusive Call Option Agreements. As Directors of our Company, Messrs Chen Yannan (陳雁南) and Zhuo You (卓有) each has a duty of loyalty and care to us under Cayman Islands law. In addition, each of Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) have executed a power of attorney to appoint Huifang Tongda to vote on her/his behalf and exercise all voting rights as shareholder of the PRC Operating Entity.

However, we cannot assure you that when conflicts arise, Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) will act in the best interests of our Company or that conflicts will be resolved in our favour. If we cannot resolve any conflicts of interest or disputes between us and Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有), we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

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Our ability to acquire the entire equity interest and/or assets of the PRC Operating Entity through Huifang Tongda may be subject to various limitations.

We have adopted the Contractual Arrangements in order to manage our short-term secured financing business in China and we will unwind the Contractual Arrangements when PRC laws and regulations allow the short-term secured financing business to be directly operated by us through the acquisition of the entire equity interest and/or all assets of the PRC Operating Entity by Huifang Tongda. However, our acquisition of the PRC Operating Entity's equity interest and/or assets may only be conducted to the extent as permitted by applicable PRC laws and will be subject to required approvals and procedures under applicable PRC laws. In addition, our acquisition may be subject to a minimum price limitation (such as an appraised value for the entire equity interest or all assets of the PRC Operating Entity) or other limitations as imposed by applicable PRC laws, and may also be subject to substantial costs. The PRC Shareholders, Wuzhong Jiaye and Hengyue Consulting have undertaken that if any minimum price is required to be paid by Huifang Tongda or its nominee(s) to any of them, such price will be reimbursed to Huifang Tongda or its nominee(s).

The pricing arrangement under the Contractual Arrangements may be challenged by the PRC tax authorities.

Under applicable PRC tax laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. We may face adverse tax consequences if the PRC tax authorities determine that the agreements constitute the Contractual Arrangements were not entered into based on arm's-length negotiations and therefore constitute unfavourable transfer pricing arrangements. Unfavourable transfer pricing arrangements could, among other things, result in an upward adjustment of the amount of tax we are required to pay. In addition, the PRC tax authorities may impose interest on late payments on the PRC Operating Entity or Huifang PRC for the adjusted but unpaid taxes. The agreements constituting the Contractual Arrangements were negotiated and executed based on an equal standing and reflect the true commercial intention of the PRC Operating Entity, Huifang Tongda and other relevant parties thereto. In order to perform the agreements constituting the Contractual Arrangements, the PRC Operating Entity has transferred all necessary personnel to Huifang Tongda, which in turn provides consulting and management services in relation to the operations of PRC Operating Entity in an all-round way, including but not limited to market analysis services, risk control and management services, customer and market development services and any other service related with the business of the PRC Operating Entity. Relevant service charges are commensurate with the functions performed by Huifang Tongda. As of the Latest Practicable Date, each of the PRC Operating Entity and Huifang Tongda submitted their financial statements for the year ended 31 December 2012 to their jurisdictional tax bureau for tax filing purpose and paid their respective taxes for the year of 2012. The jurisdictional tax bureau has expressed no adverse opinion on such tax payment and imposed no penalty on the PRC Operating Entity or Huifang Tongda. In addition, to the best knowledge of our Directors, the Company was not aware that any other publicly-listed companies within the PRC which has adopted a contractual arrangement was challenged by the relevant tax authorities that the contractual arrangement was not entered into on an arm's-length basis. However, we are not in a position to predict what position the PRC tax authorities may take. Our results of operations may be materially and adversely affected if the PRC Operating Entity's or Huifang PRC's tax liabilities increase significantly or if they are required to pay interest on late payments.

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Our Group relies on the Pawn Operations Business Licence and Special Industry Licence held by the PRC Operating Entity and any deterioration of the relationship between the PRC Operating Entity and us could materially and adversely affect our overall business operations.

We operate our short-term secured financing business in China on the basis of the Pawn Operations Business Licence and Special Industry Licence as well as other requisite licences held by the PRC Operating Entity. If the PRC Operating Entity is not able to renew its licences or certificates when their respective terms expire with substantially similar terms as the ones they currently hold, our operations, reputation and business could be materially affected. See “Business — Legal Proceedings and Compliance — Licenses and Permits” for details of the expiry dates of the licences and certificates currently held by the PRC Operating Entity.

On 31 December 2011, Huifang PRC, and on 29 February 2012, Huifang Tongda, respectively, among others, entered into various agreements with the PRC Operating Entity that constitute the Contractual Arrangements, further information on which is set out in “Our History and Reorganisation — Contractual Arrangements” in this prospectus, pursuant to which Huifang PRC was granted the right to acquire the equity interests or assets of the PRC Operating Entity. The Contractual Arrangements may not be effective in providing control over the application for and maintenance of the licences required for our business operations. The PRC Operating Entity could violate the Contractual Arrangements, go bankrupt, suffer from difficulties in its business or otherwise become unable to perform its obligations under the Contractual Arrangements and, as a result, our operations, reputation and business could be materially adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

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

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 and a few market leaders consolidate a significant proportion of the industry’s resources or market share. We compete with other providers of short-term secured financing service in Jiangsu Province and potentially in other cities into which we plan to expand, as well as with banks and other financial institutions.

Our ability to compete against our competitors depends on, among other things, our abilities to:

- maintain a leading position in approved registered capital;
- manage loan default risk and our loan portfolio;
- maintain strong brand recognition and customer relationships;
- comply with existing and future government rules and regulations; and
- diversify our service portfolio and deepen market penetration.

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In addition, as we provide an alternative financing channel to traditional bank loans, we could potentially be in competition with local commercial banks for customers. Local commercial banks might decide to increase their lending to local SMEs, or even strengthen their presence in the short-term secured financing industry, which could pose intense competition to us given their capital and operational magnitude.

If we do not successfully compete against other secured financing service 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 licenses and permits may have a significant impact on our business, results of operations and financial condition.

Our business operations are strictly regulated by the PRC Government. For more details, see “Regulatory Overview” in this prospectus. 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 Operation Business License and Special Industry License. During the Track Record Period, there were instances where the PRC Operating Entity was not in compliance with relevant thresholds prescribed by the Pawning Measures. For more details, see “Business — Legal Proceedings and Compliance” in this prospectus. Any of these actions could have a material adverse impact on our business, financial condition and results of operations.

In addition, 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 licenses, which could have a material adverse effect on our business, financial condition and results of operations.

Our net revenue is affected by seasonality.

Our net revenue in the second half of our fiscal years is usually larger than that in the first half, as the banking facilities made available to SMEs are usually smaller in the second half of the year. As a result, some SMEs are not able to receive adequate bank financing in the third and fourth quarters, which in turn typically results in greater demand for our loan services in the second half of our fiscal years. This seasonality requires us to manage our cash flows over the course of the year. If our net revenue was to fall substantially below what we would normally expect during certain periods, our annual financial results would be adversely impacted.

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

According to the Euromonitor Report, the PRC short-term secured financing industry has experienced rapid growth, consistent with the economic development of the PRC financial system. The major customers of short-term secured financing service providers are comprised of individuals, self-employed business people and many SMEs, and the major function of short-term secured financing service providers is to provide quick access to short-term secured financing.

We expect the short-term 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, which has brought about a global economic downturn. We cannot assure you that the growth and development of the PRC short-term secured financing industry will be sustainable. If the rate of growth of the PRC secured financing industry slows down, our business, results of operations and financial condition may be materially and adversely affected.

Negative publicity regarding certain illegal short-term loan practices in China may indirectly affect our business.

Negative publicity regarding certain illegal short-term loan practices in China, such as those reportedly engaged in during the recent credit crisis in Wenzhou, could harm the public perception of our industry. If the public associates the short-term financing industry with predatory or abusive illegal short term loan practices, we may face a decrease in loan demand. Damage to the industry's reputation could also lead to increased scrutiny from the government or the tightening of regulations, which may have a material adverse effect on our business.

RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, results of operations and financial condition.

The Chinese economy differs from the economies in developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. The PRC government has indicated its commitment to the continued reform of the economic system as well as the structure of the government by a series of recent enactments of rules and regulations. The PRC government's reform policies have emphasised the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. However, any changes in the political, economic or social conditions in the PRC may have a material adverse effect on our present and future business operations.

Any slowdown in the Chinese economy may affect the industries in which we operate and result in a material adverse effect on our business, results of operations and financial condition.

Substantially all of our revenue is derived from the provision of short-term secured financing services. We rely primarily on domestic demand to achieve growth in our revenue. Such demand is materially affected by industrial development and the overall economic growth in China as well as policy support for our industry and for our financing services. Any deterioration of these industries in China resulting from a global economic downturn or the PRC government's macroeconomic

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measures affecting our industry may have a material adverse impact on our financial performance. Furthermore, any deterioration in the financial condition of our customers or any industry-specific difficulties encountered by these customers could affect our business, thereby materially and adversely affecting our business, financial condition and results of operations.

Furthermore, the global crisis in financial services and credit markets since 2008 caused a slowdown in the growth of the global economy with a corresponding impact on the Chinese economy. The recent interest rate cut and relaxing in lending policy announced by the PBOC on 7 June and 6 July 2012 could indicate that there is a slowdown or potential slowdown in the PRC economy generally, which could reduce demand for loans, including pawn loans, and could materially and adversely affect our business and results of operations. In addition, if the crisis in global financial services and credit markets were to persist, there is no certainty as to its impact on the global economy, especially the Chinese economy. As a result of global economic cycles, we cannot assure you that the Chinese economy will grow in a sustained or steady manner. Any slowdown or recession in the Chinese economy may affect our ability to grant new loans, and may increase the impaired loan ratio on our existing loans and our ability to obtain sufficient financing, which may in turn have a material adverse effect on our business, results of operations and financial condition.

Our ability to use the net proceeds of the Global Offering as we intend is subject to required approvals and procedures under relevant PRC laws and regulations as well as certain contractual arrangements, which could delay, hinder or prevent us from expanding our business using some or all of the proceeds from the Global Offering, and which contractual arrangements will result in interest and other expenses going forward.

We intend to increase the registered capital of the PRC Operating Entity by an amount equal to approximately 90% of the net proceeds from the Global Offering to expand our short-term secured financing business. We expect to effectuate this plan through a series of steps described more fully under "Future Plans and Use of Proceeds." These actions will require, among other things, (1) the establishment of an on-shore account into which funds from the net proceeds from the Global Offering can be remitted, (2) the approval of the local branch of MOFCOM to increase the registered capital of the PRC Subsidiaries, (3) the approval of the competent department of MOFCOM to increase the registered capital of the PRC Operating Entity, and (4) credit or loan arrangements with domestic banks through which Huifang Tongda can procure funds equivalent to the Capital Contribution Amount.

We have been advised by our PRC Legal Adviser that, as of the date of this prospectus, there is no material legal impediment to the opening of such account or obtaining of such approvals. Nevertheless, we cannot assure you we will be able to obtain all required approvals in a timely manner, or at all. In addition, the Contractual Arrangements, including the loan to be procured by Huifang Tongda, will result in annual interest and other expenses on an ongoing basis. We expect such expenses to amount to no more than 3% of the Capital Contribution Amount in the first 12-month after the net proceeds are remitted to Huifang PRC. The amount of such expenses in the future will be subject to fluctuations in bank loan interest rates under the credit or loan arrangements to be entered into with domestic banks and the terms of the contractual arrangements in the future, among other things, which will affect our results of operations. In addition, we cannot assure you that we will be able to obtain the credit or loan arrangements on favourable terms or at all, or that we would not be subject to acceleration of the loan or penalty

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interest if our financial performance does not meet relevant financial thresholds. The occurrence of any of the forgoing could delay, hinder or prevent us from deploying the net proceeds we expect to receive from the Global Offering to fund and expand our business. If we are unable to deploy some or all of the funds from the net proceeds of the Global Offering in a manner that enables us to increase the registered capital of the PRC Operating Entity, we will be prevented in material respects from expanding our business as contemplated in this prospectus and we may be unable to effectively deploy such net proceeds or may incur significant costs in doing so, and your investment in the Shares could be materially and adversely affected.

Moreover, uncertainties under and changes to PRC law could require us to amend or abandon our plan for the use of proceeds from the Global Offering or could subject us to fines and penalties if we or the relevant PRC authorities determine that the process we intend to following in order to move funds from the proceeds from the Global Offering into the PRC Operating Entity violates PRC laws and regulations. The implementation of the PRC laws and regulations governing our industry and the conduct of our business involves a certain degree of uncertainty, and the implementation of such laws and regulations, the introduction of additional new laws and regulations, and the interpretation of such laws and regulations could also negatively affect our ability to effectively deploy the net proceeds from the Global Offering. See “Regulatory Overview — Company Establishment and Foreign Investment — The Circular on Cross-border Renminbi Direct Investment”, “— The Measures for Administration of RMB Settlement Business Relating to Foreign Direct Investment”, and “— Rules on Foreign Exchange and Dividend Distribution — Capital Contribution in Foreign Currencies” in this prospectus for a more detailed description.

We have been advised by our PRC Legal Adviser that, as of the date of this prospectus, there is currently no PRC law or regulation explicitly preventing us from deploying the net proceeds of the Global Offering as described in this prospectus. Our PRC Legal Adviser has also advised us that the relevant PRC authorities may take a position contrary to the one expressed above and/or may issue new interpretations, regulations or laws that would require us to amend or abandon our plan for the use of proceeds from the Global Offering or could subject us to fines and penalties if the relevant PRC authorities determine that the process we intend to following in order to move the proceeds from the Global Offering into the PRC Operating Entity violates PRC laws and regulations. If we are forced to amend the plan or redeploy the funds from the net proceeds of the Global Offering, we may be prevented in material respects from expanding our business as contemplated in this prospectus and we may incur significant costs in redeploying such funds or may be prevented from using such funds to increase the registered capital of the PRC Operating Entity, and your investment in the Shares could be materially and adversely affected.

Foreign exchange restrictions imposed by the PRC government could negatively affect our ability to effectively use some or all of the proceeds from the Global Offering, our liquidity, our expansion plans and our results of operations.

We are an offshore holding company, and any capital contributions or shareholder loans that we may make to our PRC Subsidiaries, including using funds from the proceeds of the Global Offering, are subject to PRC Regulations. PRC foreign exchange regulations regulate, among other things, the use of foreign currencies by foreign-invested PRC enterprises which are converted into Renminbi. Such regulations may impose additional requirements on us when we need to convert

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foreign currencies into Renminbi for capital expenditures or may limit or restrict the use of such Renminbi funds by our PRC subsidiaries. As these PRC regulations are still evolving, the implementation of such laws and regulations involves a certain degree of uncertainty,

In addition, existing and additional new governmental policies, laws, regulations or interpretations of such laws and regulations could also affect our ability to inject or otherwise use in China the net proceeds of the Global Offering raised outside China, as contemplated in this prospectus. If any laws, regulations or government policies in relation to foreign exchange, registered capital increase or other relevant areas, including those related to restrictions on the conversion of foreign currency into Renminbi or the subsequent injection of such Renminbi into the PRC, are in effect or are enacted prior to the completion of our intended deployment of funds from the net proceeds of the Global Offering to increase the registered capital of the PRC Operating Entity as described in the section headed “Future Plans and Use of Proceeds” in this prospectus and we fail to comply with such laws, regulations or government policies on a timely basis, or at all, our plan to use funds from the net proceeds of the Global Offering to make capital injections and registered capital increases could be materially and negatively affected, and we may be subject to significant penalties for any such failure to comply with such laws, regulations or policies. Under such circumstances, we may seek alternative measures compliant with applicable PRC laws and regulations to inject funds from the net proceeds of the Global Offering into the PRC Operating Entity, which could delay or prevent our deployment of the net proceeds from the Global Offering and materially and adversely affect our ability to fund and expand our business and our results of operations. See “Regulatory Overview — Company Establishment and Foreign Investment — The Circular on Cross-border Renminbi Direct Investment”, “— The Measures for Administration of RMB Settlement Business Relating to Foreign Direct Investment”, and “— Rules on Foreign Exchange and Dividend Distribution — Capital Contribution in Foreign Currencies” in this prospectus.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in our global income becoming subject to 25% PRC enterprise income tax.

The PRC Enterprise Income Tax Law, or the PRC EIT Law, provides that an enterprise established outside China whose “de facto management body” is located in China is considered as a “resident enterprise” and will generally be subject to the uniform 25% enterprise income tax rate, or EIT rate, as to its global income. Under the implementation rules, “de facto management body” is defined as substantial and overall management and control over such aspects as the production and business, personnel, accounts and properties of an enterprise.

In April 2009, the State Administration of Taxation released a circular that sets out the standards and procedures for recognizing the location of the “de facto management body” of an enterprise registered outside of the PRC and funded by Chinese enterprises or Chinese enterprise groups as controlling investors, or a Chinese Funded Enterprise. Under the circular, a Chinese Funded Enterprise is considered a resident enterprise if all of the following apply: (i) a Chinese Funded Enterprise’s major management department and personnel who are responsible for carrying out daily operations are located in the PRC; (ii) the department or the personnel who have the right to decide or approve the Chinese Funded Enterprise’s financial and human resource matters are located in the PRC; (iii) the major assets, account book, company seal and meeting minutes of the Chinese Funded Enterprise are located or stored in the PRC; and (iv) the directors or management personnel holding no less than 50% voting rights of the Chinese Funded Enterprise habitually

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reside in the PRC. The circular explicitly provides that the above standards apply to enterprises which are registered outside the PRC and funded by Chinese enterprises or Chinese enterprise groups as controlling investors. We are currently not funded or controlled by any Chinese enterprise or Chinese enterprise group, therefore the circular does not apply to us directly. However, such standards may be cited for reference only when considering whether our “de facto management body” is in the PRC or not.

Accordingly, it is still uncertain whether we may be considered a resident enterprise under the PRC EIT Law. If we are considered a resident enterprise, we will be subject to a 25% PRC income tax on our global income and such 25% tax on our global income could increase our tax burden and materially and adversely affect our cash flow and profitability.

Our Hong Kong subsidiary is subject to PRC withholding tax under the New Enterprise Income Tax Law and we may not be able to enjoy the preferential tax rate of 5%.

Under the EIT Law and its implementation regulations, China-sourced income of foreign enterprises that are “non-PRC resident enterprises” that do not have an establishment or place of business in China or, despite the existence of such establishment or place in China, the relevant income is not actually connected with such establishment or place in China, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty with China that provides a different withholding arrangement.

Under an arrangement between China and the Hong Kong Special Administrative Region, which became effective on 1 January 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity is a “beneficial owner” and such entity directly owns at least 25% of the equity interest of the PRC company. The Notice of the State Administration of Taxation on How to Comprehend and Determine the “Beneficial Owners” in Tax Treaties 《國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知》, effective from 27 October 2009, provides certain conditions under which a company cannot be defined as a “beneficial owner” under the treaty, and further provides that an agent or “conduit company” (defined as a company registered in the country of domicile to satisfy the organisational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a “beneficial owner”. If the PRC tax authorities determine that our Hong Kong subsidiary is a “conduit company”, we may not be able to enjoy a preferential withholding tax rate of 5%.

The strengthened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

In connection with the PRC EIT Law, the Ministry of Finance and State Administration of Taxation jointly issued, on 30 April 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On 10 December 2009, the State Administration of Taxation issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively on 1 January 2008. The State Administration of Taxation also issued several rules to provide clarification of a number of areas related to these two circulars.

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By promulgating and implementing such circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise.

For example, Circular 698 specifies that the PRC State Administration of Taxation is entitled to redefine the nature of an indirect equity transfer where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company, and disregard the existence of such overseas holding company, if such indirect transfer is deemed as being arranged for tax-avoidance purposes and without reasonable commercial purpose. Although Circular 698 contains an exemption for transfers of publicly traded stock in a PRC resident enterprise, it remains unclear whether we will be deemed a PRC resident enterprise and whether such exemption will be applicable to the transfer of our shares. We are not required to pay taxes under Circular 698 as we have not conducted any transfer of an equity interest which is subject to Circular 698. However, if we are regarded as a non-PRC resident enterprise, PRC tax authorities may deem any future transfer of our shares by our shareholders to be subject to these regulations, which may subject such shareholders to additional reporting obligation or tax burdens. In case of failure to comply with these circulars by these sellers, the PRC tax authorities may take actions, including requesting us to provide assistance for their investigation, which may have a negative impact on our business operations.

In addition, since we may pursue acquisitions as one of our growth strategies, and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable.

Any limitation on the ability of our PRC subsidiaries to pay dividends or other distributions to us and repay their debts to creditors could limit our ability to distribute profits to our Shareholders and fulfil our repayment obligations.

We are a holding company incorporated in the Cayman Islands, and we rely on dividends or other distributions paid by our PRC subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders, to service any debt we may incur, and to pay our operating expenses. PRC regulations currently permit payments of dividends only out of accumulated profits, as determined in accordance with the accounting standards and regulations in China, which differ in many aspects from generally accepted accounting principles in other jurisdictions. Our PRC subsidiaries are required to allocate certain percentages of any accumulated profits after tax each year to their statutory common reserve fund as required under the PRC Company Law, until the aggregate accumulated statutory common reserve funds exceed 50% of its registered capital. These reserve funds cannot be distributed as cash dividends. In addition, if our PRC subsidiaries incur debt on their own or enter into certain agreements in the future, the instruments governing the debt or such other agreements may restrict their ability to pay dividends or make other distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may materially and adversely affect our ability to pay dividends to our Shareholders and to service our debts. In addition, under the EIT Law which became effective on 1 January 2008, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT Law and its implementation rule, a withholding tax at the rate of 10.0%

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will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

Our PRC subsidiaries receive substantially all of their revenue in Renminbi, which is not freely-convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenues to pay dividends to our Company. Under existing foreign exchange regulations in the PRC, following completion of the Capitalisation Issue and the Global Offering, our PRC subsidiaries may make payments of dividends without the prior approval of SAFE but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Uncertainty exists as to timing and whether the PRC government will restrict access to foreign currency for current account transactions if foreign currency becomes scarce in the PRC, in which case the ability of our PRC subsidiaries to pay dividends to our Company or to satisfy their other foreign exchange requirements may be adversely affected.

The uncertainties of the PRC legal system and its laws and regulations may have a negative impact on our operations.

Our business is conducted in the PRC and all of our operations are located in the PRC. Hence, our business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law systems, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, as these laws and regulations are still evolving, in view of how China's financial services industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on our business and prospects.

Failure to obtain, renew, or retain licenses, permits or approvals or failure to comply with applicable laws and regulations may affect our ability to conduct our business.

We are required to hold various licenses, permits and approvals issued by relevant authorities allowing us to conduct our business operations. Any infringement of legal or regulatory requirements, or any suspension or revocation of these licenses, permits and approvals may have a material adverse impact on our business and operations. In addition, the licensing requirements within the PRC short-term secured financing industry are constantly evolving and we may be subject to more stringent regulatory requirements due to changes in the political or economic policies in China. We cannot assure you that we will be able to satisfy such regulatory requirements and as a result we may be unable to retain, obtain or renew relevant licenses, permits or approvals in the future. This may, in turn, hinder our business operations and materially and adversely affect our results of operations and financial condition.

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Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to PRC income taxes.

Under the EIT Law and its implementation rules, our Company may in the future be recognised as a PRC tax resident enterprise by the PRC tax authorities. As such, we may be required to withhold PRC income tax on capital gains realised from sales of our Shares and dividends distributed to our Shareholders, as such income may be regarded as income from “sources within China”. In such a case, our foreign corporate Shareholders may become subject to a 10.0% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty. If the PRC tax authorities recognise our Company as a PRC resident enterprise, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of eligibility for such benefits in accordance with Circular 124, (關於印發《非居民享受稅收協議待遇管理辦法(試行)》的通知) issued by the SAT on 24 August 2009. It is likely that eligibility will be based on a substantive analysis of the Shareholder’s tax residency and economic substance. With respect to dividends, the beneficial ownership tests under Circular 601 (《關於如何理解和認定稅收協定中受益所有人的通知》), which was issued by the SAT on 27 October 2009, will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher PRC tax rates on capital gains realised from sales of our Shares and on dividends on our Shares. In such circumstances, the value of such foreign Shareholders’ investment in our Offer Shares may be materially and adversely affected.

Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose vehicles by PRC residents may adversely affect our business operations.

The SAFE issued a public notice in October 2005, namely the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration on Domestic Residents to Engage in Financing and Roundtrip 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) or “SAFE Circular No. 75” and Circular of the State Administration of Foreign Exchange on Printing and Distributing the Administration of Foreign Exchange in Foreign Direct Investments of Foreign Investors and Relevant Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) or “SAFE Circular No. 21” effective on 13 May 2013, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an offshore special purpose vehicle (the “SPV”). PRC residents that are shareholders of offshore SPVs established before 1 November 2005 which had completed roundtrip investments were required to register with the local SAFE branch before 31 March 2006. In addition, any PRC resident that is a shareholder of an offshore SPV is required to amend its SAFE registration within 30 days after any major change in the share capital of the offshore SPV without any roundtrip investment being made, such as any increase or decrease of capital, stock right assignment or exchange, merger or division, investment with long term stock rights or credits, provision of guaranty to a foreign party etc. Those of our beneficial shareholders who are domestic residents defined under SAFE Circular No. 75 (namely, Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有)), have registered with the SAFE Jiangsu branch in respect of the establishment of our Company and its round-trip investment in Huifang PRC. However, we do not have control over our Shareholders and cannot assure you that all of our PRC resident beneficial owners will comply with SAFE Circular No. 75 and SAFE Circular No. 21. The failure of

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our beneficial shareholders who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular No. 75 and SAFE Circular No. 21 or the failure of future shareholders who are PRC residents to comply with the registration requirements set out in SAFE Circular No. 75 and its guidance rules may subject such beneficial owners and/or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to contribute additional capital to our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute dividends to our Company or otherwise materially and adversely affect our business.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions. Pursuant to the Administrative Measures on Individual Foreign Exchange (個人外匯管理辦法) which was adopted on 30 November 2006 by the PBOC, the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則) issued on 5 January 2007 by the SAFE (the "Individual Foreign Exchange Rules") and the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or the Circular 7, issued in February 2012 by the SAFE, if a PRC resident participates in any stock incentive plan of an overseas publicly-listed company, a qualified PRC domestic agent must, among other things, file on behalf of such participant an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the exercise or sale of stock options or stock such participant holds. Such participating PRC residents' foreign exchange income received from the sale of stock and dividends distributed by the overseas publicly-listed company must be fully remitted into a PRC collective foreign currency account opened and managed by the PRC agent before distribution to such participants. Our PRC citizen employees who have been granted share options, or PRC option holders, together with us, will be subject to these rules upon the Listing of our Shares.

The approval of the China Securities Regulatory Commission, or the CSRC, may be required in connection with this offering. Any requirement to obtain prior CSRC approval could delay, or create uncertainties regarding, this offering, and our failure to obtain this approval, if required, could have a material adverse effect on our business, results of operations, and reputation and the trading price of our shares.

On 8 August 2006, six PRC regulatory authorities, including the CSRC, jointly promulgated the M&A Rules, which were later amended on 22 June 2009. According to the M&A Rules, a SPV refers to an overseas company controlled directly or indirectly by domestic companies or individuals for purposes of overseas listing of equity interests in domestic companies (defined as enterprises in the PRC other than foreign-invested enterprises). If an SPV purchases, for the purpose of overseas listing, the equity interests of any PRC company that are held by PRC companies or individuals controlling such SPV, then the overseas listing by the SPV must be approved by the CSRC. The application of the M&A Rules remains unclear, with no consensus currently existing among PRC law firms regarding the scope of CSRC jurisdiction. The CSRC currently has not issued any definitive rule concerning whether offerings like this offering are subject to the M&A Rules.

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As defined by the M&A Rules, “mergers and acquisitions of PRC domestic enterprises by foreign investors” refers to situations where:

- (i) a foreign investor purchases the equity interests in a domestic enterprise, or subscribes for the increased capital of a domestic enterprise, and thus changes the domestic enterprise into a foreign-invested enterprise;
- (ii) a foreign investor establishes an enterprise, through which the foreign investor purchases the assets of a domestic enterprise and operates its assets; or
- (iii) a foreign investor purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise to operate the assets.

As advised by our PRC Legal Adviser, given that:

- (i) our PRC operating subsidiaries were incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company of the equity interest or assets of any “domestic company” as defined under the M&A Rules; and
- (ii) no provision in the M&A Rules classifies the Contractual Arrangements as a type of acquisition transaction falling under the M&A Rules,

the M&A Rules do not require us to obtain prior CSRC approval for our listing on the Stock Exchange.

In addition, the M&A Rules require that where any offshore company established or controlled by any PRC domestic company or citizen intends to acquire equity interests or assets of any domestic company affiliated with such PRC company or citizen, the acquisition must be submitted to MOFCOM for approval and the parties concerned shall not evade the aforesaid requirements through domestic investment by a foreign invested enterprise or any other means.

As advised by our PRC Legal Adviser and the PRC legal advisers to the Sole Sponsor given that:

- (i) the PRC governmental authorities currently do not, as a matter of practice, grant pawn operations business licenses to foreign invested companies and the Contractual Arrangements are a way for the Company to operate the short-term secured financing business in China and not for the purpose of circumventing the M&A Rules; and
- (ii) as of the Latest Practicable Date, no provision in the M&A Rules classified the Contractual Arrangements as a type of acquisition transaction falling under the M&A Rules,

the possibility that the Contractual Arrangements would be considered as circumventing the M&A Rules is remote. However, our PRC Legal Adviser has also advised that, if the CSRC subsequently determines that its prior approval is or was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. In addition, we cannot rule out the possibility that the State Council of the PRC, MOFCOM or other competent agencies in the PRC may have different understanding or interpretation and consider the Contractual Arrangements as a type of acquisition transaction circumventing the M&A Rules. These regulatory agencies may

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impose fines and penalties on our operations, limit our operating privileges, delay or restrict our sending the proceeds from this offering into China, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our shares. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering.

We cannot predict when the CSRC may promulgate additional rules or other guidance, if at all. If implementing rules or guidance are issued prior to the completion of this offering and consequently we conclude that we are required to obtain CSRC approval, this offering will be delayed until we obtain CSRC approval, which may take several months or longer. Moreover, implementing rules or guidance, to the extent issued, may fail to resolve current ambiguities under the M&A Rules. Uncertainties or negative publicity regarding the M&A Rules could have a material adverse effect on the trading price of our shares.

It may be difficult to effect service upon, or to enforce judgments against us or the Directors or senior management residing in China, in connection with judgments obtained from courts other than PRC courts.

Although we are incorporated in the Cayman Islands, substantially all of our Directors and members of our senior management reside in China. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in China in order to seek recognition and enforcement for foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The PRC Anti-Monopoly Law may restrict our business dealings or require us to divest our shares in certain assets in China.

The PRC Anti-Monopoly Law, which attempts to prevent monopolistic activities and protect fair competition in the PRC, became effective on 1 August 2008. It prohibits business entities (including us and all of our subsidiaries) from engaging in monopolistic behaviour, entering into monopolistic agreements, abusing a dominant market position or pursuing consolidations which exclude, restrict or potentially inhibit competition. The PRC Anti-Monopoly Law does not prohibit any business entity from increasing its market share to achieve or maintain a dominant market position through fair competition, nor does it set limits on the market share that any one entity can achieve or maintain in the PRC. The PRC Anti-Monopoly Law also provides clear standards under which business operators are excluded from anti-monopoly examination.

Under the PRC Anti-Monopoly Law, an entity that enters into monopolistic agreements or abuses its dominant market position may be subject to penalties, including confiscation of illegal gains and fines ranging from 1% to 10% of its revenue for the preceding year. If an entity pursues an illegal

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consolidation, it may be forced to terminate the consolidation, divest its shares and assets or businesses within a limited period of time or otherwise unwind the consolidation. The operating flexibility of our PRC subsidiaries and our business expansion through a merger with or acquisition of other competitors may be subject to strict examination and approval by MOFCOM, which is the main authority in charge of reviewing anti-monopoly issues related to business combinations. As the PRC Anti-Monopoly Law has only come into effect recently and has not been fully interpreted and implemented, its effect on our business is not yet known and we cannot give assurances that the relevant authorities will not interpret the law in such a manner or announce specific rules such that the implementation of the PRC Anti-Monopoly Law will affect our business in general or will contradict the PRC Government's existing policies. In the event of non-compliance with the PRC Anti-Monopoly Law, we may be subject to substantial fines and other penalties. In the event of these circumstances, our business model, revenues and shareholder value may be materially and adversely affected.

PRC laws and regulations establish more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC laws and regulations, such as the M&A Rules, the Anti-Monopoly Law and the MOFCOM Security Review Rules, established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review. The MOFCOM Security Review Rules, effective from 1 September 2011, further provide that, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review by the MOFCOM, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If the business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or through any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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 in the PRC and are not required by current PRC laws and regulations to establish specific identification and reporting procedures relating to anti-money laundering, any new

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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.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

Before the Global Offering, there was no public market for our Shares. The initial offer price range of our Shares, and the Offer Price, will be the result of negotiations between the Sole Global Coordinator (on behalf of the Underwriters) and us. In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop or, (ii) if it does, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our Shares will not decline below the Offer Price. You may not be able to resell your Shares at a price that is attractive to you, or at all.

The price and trading volume of our Shares may be volatile which could result in substantial losses for investors purchasing our Shares in the Global Offering.

The price and trading volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- loss of significant customers or material defaults by our customers;
- changes in securities analysts' estimates of our financial performance;
- investor perceptions of the risks associated with companies operating through structures such as those established by the Contractual Arrangements;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- additions or departures of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation; and
- general economic and stock market conditions.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

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We may not be able to distribute dividends to our Shareholders.

Subject to the Companies Law and our Articles, our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. Our directors decided that all of our accumulated earnings prior to December 31, 2013 will be retained by the PRC Operating Entity and Huifang Tongda. We currently intend to pay dividends of approximately 30% of our profits available for distribution of each fiscal year beginning from the year ended December 31, 2014.

Our ability to make dividend payments is subject to the future financial performance and cash flow position of our Group. The determination to pay dividends will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. Our ability to declare future dividends will also depend on the availability of dividends, if any, we receive from our PRC subsidiaries. For example, if our PRC subsidiaries incur debt in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, under PRC laws and the articles of association of our PRC subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. As such, we will generally not declare dividends in a year when we do not have any distributable earnings.

Due to the limitations described above, we may not be able to record profits and have sufficient funds above our funding requirements, other obligations and business plan to declare dividends to our shareholders as contemplated.

Fees we incur in connection with the Global Offering may have an adverse impact on our results of operations for the year ending 31 December 2013.

We incurred and expensed professional and consultancy fees of RMB6.5 million and RMB15.3 million for the year ended 31 December 2011 and 2012 in connection with the Global Offering, respectively, representing 5.4% and 8.2% of our net revenue for the corresponding year. We expect to incur additional fees in connection with the Global Offering, including but not limited to legal, financial advisory and accounting fees, regulatory filing fees, costs of financial printing and listing fees. Such fees will have an adverse impact on our results of operations for the year ending 31 December 2013.

Future sales or a major divestment of Shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders have agreed to a lock-up of their Shares, any major disposal of our Shares by any of our Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

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Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our other Shareholders' best interests.

Immediately following the completion of the Capitalisation Issue and the Global Offering, our Controlling Shareholders will, in aggregate, beneficially own 31.7% of our Shares, or approximately 30.1% if the Over-allotment Option is exercised in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatisations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders. As such, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material adverse effect on our business operations and the price at which our Shares are traded on the Stock Exchange.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources.

This prospectus, particularly the section headed "Industry Overview" in this prospectus, contains information and statistics, including but not limited to information and statistics relating to the PRC and the short-term secured financing industry and markets. Such information and statistics have been derived from various official government and other publications and from a third party report commissioned by us. The sources of such information are conventional sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts and statistics in this prospectus, including those with respect to China, the PRC economy and the PRC short-term secured financing industry, may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC short-term secured financing industry contained in this prospectus.

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Purchasers of our Shares in the Global Offering will 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 asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience immediate dilution in the pro forma net tangible asset value of HK\$0.55 per Share based on the mid-point of the Offer Price range of HK\$1.88 to HK\$2.28 per Offer Share. This calculation is based on the assumption that 1,025,236,000 Shares will be in issue and outstanding immediately following the completion of the Capitalisation Issue and the Global Offering but excludes any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share.

The Offer Price may not be indicative of prices that will prevail in the trading market.

The Offer Price will be the result of negotiations between the Sole Global Coordinator (on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after the Listing. Due to a gap between pricing and trading of the Offer Shares and because our Offer Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of the Offer Shares may be lower than the Offer Price.