
OUR HISTORY AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability and as the holding company of our Group. At the time of its incorporation, our Company had an authorised share capital of US\$50,000, divided into 50,000 shares of par value US\$1 each.

Further details of the corporate structure and reorganisation of our Group (including the PRC Operating Entity) are set out under the paragraphs headed “History and Development” and “Reorganisation” below.

HISTORY AND DEVELOPMENT

The history of our Group can be traced back to 1999 when Wuzhong Group, a conglomerate headquartered in Suzhou, China with interests in a range of industry sectors, established the PRC Operating Entity to engage in short-term financing services in Suzhou, China. At the time of establishment, the PRC Operating Entity was held by Wuzhong Group, together with nine other shareholders (five of which were wholly owned by Wuzhong Group and the other four were affiliate companies of Wuzhong Group), as to 10% each. One of the key proponents for Wuzhong Group to start a short-term financing business was Mr. Zhu, who is currently the Chairman and legal representative of Wuzhong Group.

During the early years of its development, and to meet the significant capital demands of a short-term secured financing business as well as to rationalise its shareholding entities, the PRC Operating Entity underwent a series of capital increases and changes in shareholding entities. As of 1 January 2010, the PRC Operating Entity was held as to 19.44% by Wuzhong Group, 35.56% by Wuzhong Real Estate and 45% by Wuzhong Jiaye. Both Wuzhong Real Estate and Wuzhong Jiaye were directly or indirectly wholly-owned by Wuzhong Group.

Our Group has experienced significant growth and has built and maintained a strong presence in Jiangsu Province in its 14 years of operations. The following sets forth the milestones in the corporate and business development of our Group:

Year	Event
1999	The PRC Operating Entity was established.
2006	The PRC Operating Entity opened its first branch office in Mudu county, Suzhou.
2007	The approved registered capital of the PRC Operating Entity was increased to RMB45,000,000. New branch office in Fengqiao commenced business.
2009	The approved registered capital of the PRC Operating Entity was increased to RMB121,000,000. New branch offices in Chengnan and Xiangcheng commenced business.

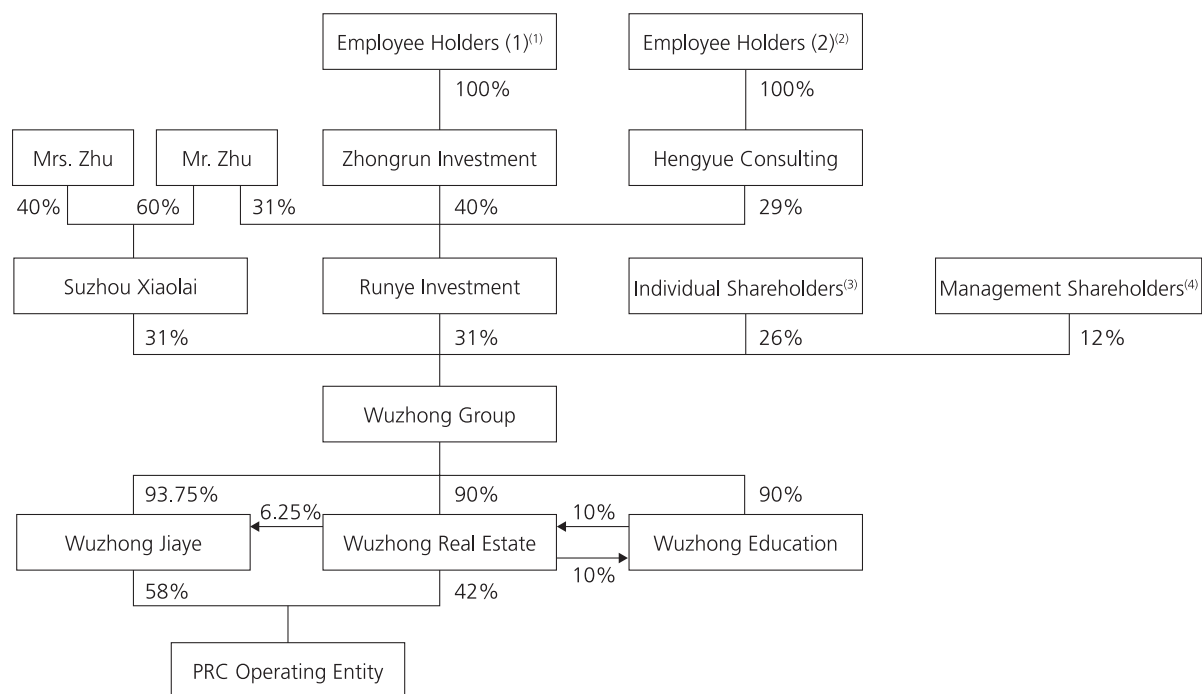
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Year	Event
2010	<p>The approved registered capital of the PRC Operating Entity was increased to RMB250,000,000.</p> <p>New branch offices in Xinqu and Yuanqu commenced business.</p> <p>The PRC Operating Entity was accredited as an Advanced Unit of Commerce and Trade Industry of Suzhou (蘇州市商貿業先進單位) by the Suzhou government.</p> <p>The PRC Operating Entity was accredited as an AA-Grade Trustworthy Enterprise Respecting Contracts in Suzhou (蘇州市AA級重合同守信用企業) by the Suzhou government.</p> <p>The PRC Operating Entity was accredited as a PRC Exemplary Enterprise of Good Faith Business Practice (中國誠信經營示範單位) by the Chinese Academy of Management Science and Credit Rating & Certification Centre of the Chinese Academy of International Trade and Economic Cooperation, MOFCOM.</p>
2011	<p>New branch offices in Changshu and Wujiang commenced business.</p> <p>The PRC Operating Entity was accredited as a PRC AAA-Grade Exemplary Enterprise of Good Faith Business Practice (中國AAA級誠信經營示範單位), jointly awarded by the Credit Rating and Certification Center of the Chinese Academy of International Trade and Economic Cooperation, MOFCOM, China Academy of Management Science and China Enterprise Credit Association.</p>
2012	<p>New branch offices in Taicang and Chengbei commenced business.</p> <p>The approved registered capital of the PRC Operating Entity was increased to RMB500,000,000.</p>

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REORGANISATION

In preparation for the Listing, our Group (including the PRC Operating Entity) initiated the Reorganisation in 2011 and our Company was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability. The following chart sets out our corporate structure immediately before the Reorganisation:



Notes:

- (1) The Employee Holders (1) collectively held 100% of Zhongrun Investment and consisted of: Mao Zhuchun (17.47%), Ye Xiaoming (17.46%), Yang Lie (17.46%), Xu Peijuan (15.87%), Wu Yuqin (15.87%) and Qian Jianmin (15.87%).
- (2) The Employee Holders (2) collectively held 100% of Hengyue Consulting and consisted of: Cao Jian (33.33%), Weng Wenjuan (28.89%), Xiang Weiping (18.89%) and Wu Yonghao (18.89%).
- (3) The Individual Shareholders are: Zhang Xiangrong (10%), Ge Jian (8%), Wei Xingfa (4%) and Yang Wuguan (4%) (together, the “**Individual Shareholders**”). The Individual Shareholders do not hold any management positions in our Company.
- (4) The Management Shareholders are: Chen Yannan (8%) and Zhuo You (4%) (together the “**Management Shareholders**”). Chen Yannan is the Chairman and executive Director of our Company. He is responsible for making decisions for the key issues of our Company. Zhuo You is a non-executive Director of our Company.

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Purpose of the Reorganisation

The purpose of the Reorganisation was to achieve an ownership structure that would enable the PRC Operating Entity to realise its goal of a listing on the Stock Exchange. In order to achieve this goal, we applied the following principles to the Reorganisation:

- we would put in place a VIE structure for our short-term secured financing business with broadly identical shareholding structures for the onshore and offshore structures;
- the PRC Operating Entity, the operating entity of our short-term secured financing business, would have a minimum of two corporate shareholders, in compliance with the Pawning Measures;
- the two corporate shareholders of the PRC Operating Entity would be Wuzhong Jiaye and Hengyue Consulting, both of which are investment vehicles with no substantive businesses other than investments in the PRC Operating Entity;
- Wuzhong Jiaye and Hengyue Consulting would have identical shareholding structures;
- we would rationalise the ownership structure of the PRC Operating Entity such that it would not be owned by companies with substantive businesses in other industry sectors, by:
 - replacing the old employee incentive platform, under which Employee Holders (1) and Employee Holders (2) held shares in Runye Investment via Zhongrun Investment and Hengyue Consulting, which was previously a passive holder acting as vehicles for incentivising employees of Wuzhong Group;
 - making certain adjustments to the ownership interests of Mr. Zhu, the Management Shareholders and the Individual Shareholders;
 - removing Wuzhong Group, Wuzhong Real Estate and Wuzhong Education from the ownership chain of the PRC Operating Entity, and having the ultimate individual owners of Wuzhong Group (namely, Mr. Zhu, the Management Shareholders and the Individual Shareholders) hold the PRC Operating Entity; and
 - maintaining Mr. Zhu's status as the controlling shareholder throughout the Reorganisation, as well as the Management Shareholders' and the Individual Shareholders' status as separate and independent holders.

Onshore Reorganisation

The onshore part of the Reorganisation consisted of the following steps:

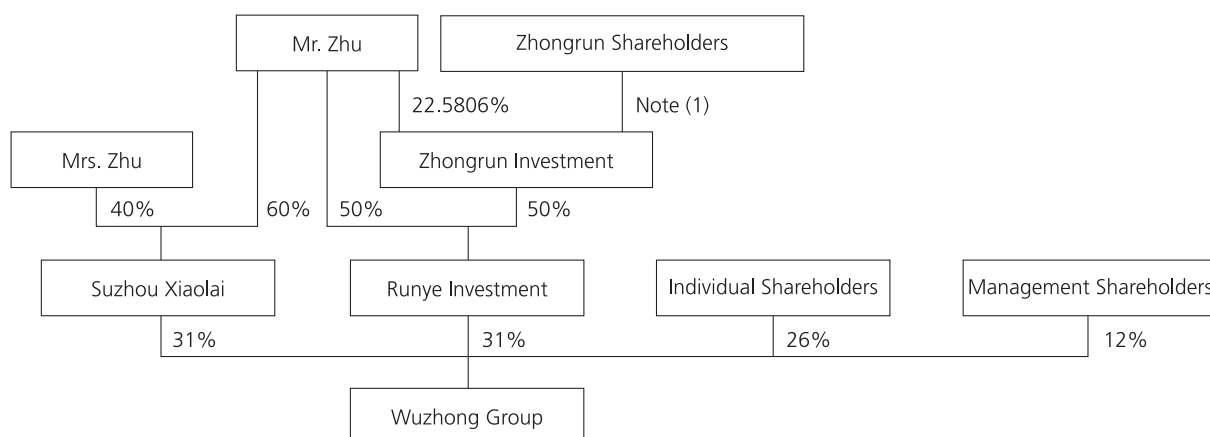
- *Removal of Employee Holders (1) from Zhongrun Investment.* On 15 September 2011, Mr. Zhu, Zhang Xiangrong, Ge Jian, Chen Yannan, Yang Wuguan and Zhuo You, as transferees, entered into various equity transfer agreements to acquire the entire equity interest in Zhongrun Investment from the Employee Holders (1) for a total consideration of RMB12.6 million. The consideration was equal to the registered capital amount of Zhongrun Investment and the required registration with local Administration for Industry and Commerce was completed on 15 September 2011. Following such transfer, Zhongrun Investment was owned

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by Mr. Zhu (22.5806%), together with Zhang Xiangrong (19.3548%), Ge Jian (19.3548%), Chen Yannan (12.9032%), Yang Wuguan (12.9032%) and Zhuo You (12.9032%) (the “**Zhongrun Shareholders**”).

- Removal of Hengyue Consulting as an Owner of Runye Investment.* On 15 September 2011, Zhongrun Investment and Mr. Zhu as transferees entered into equity transfer agreements to acquire 10% and 19%, respectively, of the equity interest in Runye Investment from Hengyue Consulting for a total consideration of RMB8.99 million. The consideration was equal to the registered capital amount of Runye Investment and the required registration with local Administration for Industry and Commerce was completed on 16 September 2011. Following such equity transfers, each of Zhongrun Investment and Mr. Zhu held 50% equity interest in Runye Investment.

The following chart sets out our corporate structure immediately following the completion of the above steps in the Reorganisation:



Note:

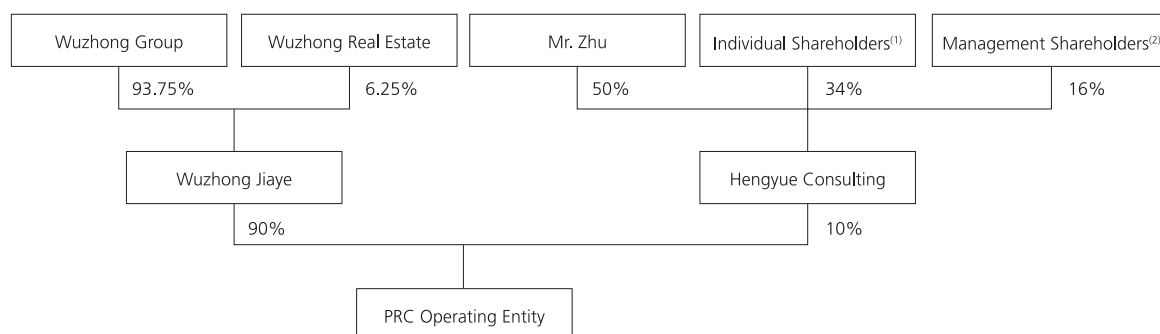
- (1) The Zhongrun Shareholders comprising Zhang Xiangrong (19.3548%), Ge Jian (19.3548%), Chen Yannan (12.9032%), Yang Wuguan (12.9032%) and Zhuo You (12.9032%).

- Removal of Employee Holders (2) from Hengyue Consulting.* On 19 September 2011, Mr. Zhu, Zhang Xiangrong, Ge Jian, Chen Yannan, Wei Xingfa, Yang Wuguan and Zhuo You as transferees entered into various equity transfer agreements to acquire the entire equity interest in Hengyue Consulting from the Employee Holders (2) for a total consideration of RMB9 million. The consideration was equal to the registered capital amount of Hengyue Consulting and the required registration with local Administration for Industry and Commerce was completed on 29 September 2011, the same time as Hengyue Consulting increased its registered capital to RMB50 million as stated below. Following such transfer, Hengyue Consulting was owned by Zhang Xiangrong (13%), Ge Jian (11%), Chen Yannan (10%), Wei Xingfa (4%), Yang Wuguan (6%), Zhuo You (6%) and Mr. Zhu (50%).

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- Increase of Registered Capital of Hengyue Consulting.* On 29 September 2011, Hengyue Consulting increased its registered capital from RMB9 million to RMB50 million by way of cash contribution from the Management Shareholders and the Individual Shareholders on a pro rata basis. This increase of registered capital was carried out in anticipation of Hengyue Consulting becoming a shareholder of the PRC Operating Entity, at which time Hengyue Consulting must satisfy the minimum capital requirements of a pawnshop shareholder (i.e. holding 10% of the registered capital of the PRC Operating Entity).
- Removal of Wuzhong Real Estate from Direct Ownership of the PRC Operating Entity.* On 13 October 2011, Wuzhong Jiaye and Hengyue Consulting as transferees entered into equity transfer agreements to acquire the 42% equity interest of the PRC Operating Entity held by Wuzhong Real Estate for a total consideration of RMB105 million. The amount of consideration was equal to 42% of the registered capital amount of the PRC Operating Entity and the required registration with local Administration for Industry and Commerce was completed on 2 November 2011. Following such equity transfers, Wuzhong Jiaye and Hengyue Consulting held 90% and 10% equity interest in the PRC Operating Entity, respectively.

The following chart sets out our corporate structure immediately following the completion of the above steps in the Reorganisation:



Notes:

- The Individual Shareholders are Zhang Xiangrong (13%), Ge Jian (11%), Wei Xingfa (4%) and Yang Wuguan (6%).
- The Management Shareholders are Chen Yannan (10%) and Zhuo You (6%).

- Exclusion of Non-Pawn Assets from Wuzhong Jiaye.* On 30 November 2011, Wuzhong Jiaye and Wuzhong Real Estate as transferors, and Wuzhong Group, as the transferee, entered into a transfer agreement for a consideration of RMB90,000,000 to transfer the entire equity interest held by Wuzhong Jiaye in Suzhou Wuzhong District Wuzhong Emporium Co., Ltd. (蘇州市吳中區吳中商城有限公司), the permitted operating activities of which include the development of real estate, setting up branches for accommodation services, property management and setting up branches for labour services. The required registration with local Administration for Industry and Commerce was completed on 2 December 2011 in compliance with relevant PRC laws and regulations. On 6 December 2011, Wuzhong Jiaye as transferor,

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and Suzhou Wuzhong District Wuzhong Emporium Co., Ltd., as transferee, entered into various transfer agreements to transfer equity interests held by Wuzhong Jiaye in the following entities:

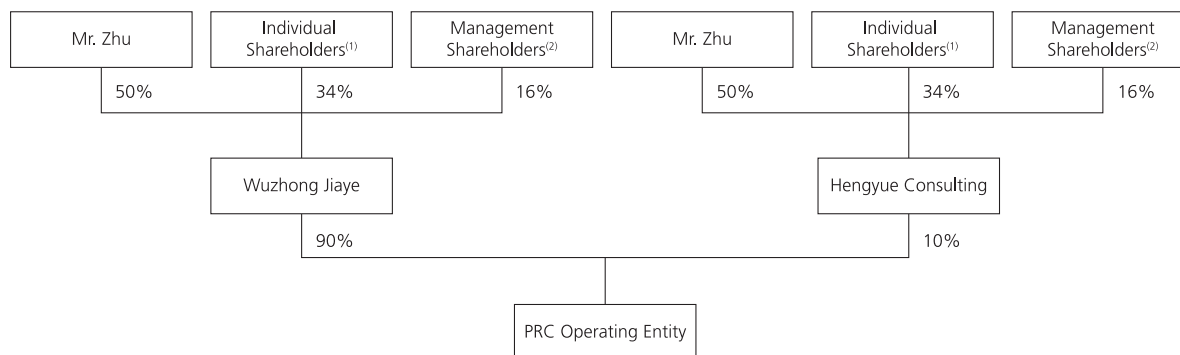
- (1) Suzhou Wuzhong Auction House Co., Ltd. (蘇州市吳中拍賣行有限公司), the permitted operating activities of which include engaging in auctions of tangible and intangible assets, for a consideration of RMB1,000,000;
- (2) Suzhou Dongting Hill Pilochem Tea Industry Co., Ltd. (蘇州市洞庭山碧螺春茶業有限公司), the permitted operating activities of which include the wholesale of pre-packaged food and setting up branches for the production and processing of tea, for a consideration of RMB20,000,000;
- (3) Suzhou Wuzhong District Wuzhong Construction Co., Ltd. (蘇州市吳中區吳中建設有限公司), the permitted operating activities of which include construction and installation of housing, construction of municipal engineering and installation of hydropower engineering, for a consideration of RMB6,000,000;
- (4) Suzhou Huiying Noble Metal Co., Ltd. (蘇州匯盈貴金屬有限公司), the permitted operating activities of which include the sales of gold, gold and silver jewelry, handicrafts, and investment information consultation, for a consideration of RMB100,000,000; and
- (5) Suzhou Sumei Property Service Co., Ltd. (蘇州市蘇美物業服務有限公司), the permitted operating activities of which include property management, housing repairs and management, construction of landscape engineering, lake conservation, sale and rental of flowers and trees, cleaning services, domestic services, business information consulting services, real estate information consulting services, parking management services, and food and beverage management, for a consideration of RMB3,500,000.

The required registration for the above transactions with local Administration for Industry and Commerce was completed on 6 December 2011 and 7 December, respectively, in compliance with relevant PRC laws and regulations. After the transfer, Wuzhong Jiaye became an investment holding company of the PRC Operating Entity with no other substantial business activities other than the investment interests in the PRC Operating Entity.

- *Removal of Wuzhong Group and Wuzhong Real Estate from Ownership Chain of the PRC Operating Entity.* On 8 December 2011, Mr. Zhu, the Management Shareholders and the Individual Shareholders, as transferees, entered into various equity transfer agreements to acquire, with a shareholding structure identical with that of Hengyue Consulting, the entire equity interest in Wuzhong Jiaye from its then shareholders, namely Wuzhong Group and Wuzhong Real Estate. The total consideration was RMB360 million, which amount was equal to the registered capital amount of Wuzhong Jiaye and the required registration with local Administration for Industry and Commerce was completed on 9 December 2011.

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The following chart sets out our corporate structure immediately following the completion of the above steps in the Reorganisation:



Notes:

- (1) The Individual Shareholders are Zhang Xiangrong (13%), Ge Jian (11%), Wei Xingfa (4%) and Yang Wuguan (6%).
- (2) The Management Shareholders are Chen Yannan (10%) and Zhuo You (6%).

Following completion of the onshore part of the Reorganisation, the PRC Operating Entity is beneficially owned by Mr. Zhu (50%), Zhang Xiangrong (13%), Ge Jian (11%), Chen Yannan (10%), Wei Xingfa (4%), Yang Wuguan (6%) and Zhuo You (6%) (together, the “**PRC Shareholders**”). Mr. Zhu has devoted the majority of his time to overseeing the management of Wuzhong Group and as a result has not been actively involved in the management or daily operations of our Group during the Track Record Period. The PRC Shareholders are separate and independent holders and do not act in concert among themselves. There is no relationship, arrangement, agreement (written or verbal) or understanding (formal or informal) among the PRC Shareholders to act in concert with each other. Further, Mr. Zhu or his affiliate has not financed the acquisition of equity interests in Zhongrun Investment, Wuzhong Jiaye and Hengyue Consulting by the Management Shareholders and the Individual Shareholders. The background of the Management Shareholders and the Individual Shareholders is as follows:

- Zhang Xiangrong: joined Wuzhong Real Estate in 1992 and is currently the chairman of Wuzhong Real Estate;
- Ge Jian: joined Wuzhong Group in 1992 as manager of the corporate governance department and is currently chief executive officer of Wuzhong Group;
- Chen Yannan: joined Wuzhong Group in 1992 as deputy chairman and is currently a director of Wuzhong Group with significant experience in the short-term financing industry;
- Wei Xingfa: joined Wuzhong Group in 1992 and is currently the chairman of the labor union of Wuzhong Group;

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- Yang Wuguan: joined Wuzhong Group in 1993 and is currently the chairman of the board of supervisors of Wuzhong Group;
- Zhuo You: joined Wuzhong Group in 1995 and held various positions including planning director, office director and assistant general manager.

In addition, the old employee incentive platform, under which certain designated employees held equity interests in Wuzhong Group via Runye Investment as well as Zhongrun Investment and Hengyue Consulting, in order for dividends from Wuzhong Group to be paid to employees of Wuzhong Group as incentives, has been removed from the ownership structure. Mr. Zhu has remained the controlling shareholder and single largest shareholder of the PRC Operating Entity throughout the onshore part of the Reorganisation.

We have been advised by our PRC Legal Adviser that all requisite approvals, permits and licenses, as applicable, have been obtained for each stage of the above onshore reorganization within the PRC.

Offshore Reorganisation

We initiated our offshore restructuring process to consolidate the shareholding structure of our Group (including the PRC Operating Entity) and in anticipation of the implementation of the VIE structure in our Group. The offshore restructuring process was undertaken in the several stages as set out below.

We incorporated a number of new entities in the BVI in 2011; each of such entities is wholly owned by each of the PRC Shareholders, as disclosed below. The following chart sets forth the entities that were incorporated and certain background information:

<u>Entity</u>	<u>Date of Incorporation</u>	<u>Shareholder</u>
BVI Co 1	28 October 2011	Zhang Xiangrong
BVI Co 2	28 October 2011	Ge Jian
BVI Co 3	28 October 2011	Chen Yannan
BVI Co 4	28 October 2011	Wei Xingfa
BVI Co 5	28 October 2011	Yang Wuguan
BVI Co 6	28 October 2011	Zhuo You
BVI Co 7	28 October 2011	Mr. Zhu
BVI Co 8	28 October 2011	Mr. Zhu

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On 11 November 2011, our Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares having a par value of US\$1 each. On 11 November 2011, one subscriber share was transferred by its subscriber to BVI Co 7 at nil consideration and an aggregate of 10,000 Shares were allotted and issued by us to the above listed entities at par, following which the entities listed above became the direct shareholders of our Company. The following chart sets forth the respective number of Shares and shareholding percentages:

Entity	Number of Shares in the Company	Percentage in the Company
BVI Co 1	1,300	13%
BVI Co 2	1,100	11%
BVI Co 3	1,000	10%
BVI Co 4	400	4%
BVI Co 5	600	6%
BVI Co 6	600	6%
BVI Co 7	4,000	40%
BVI Co 8	1,000	10%

On 2 May 2012, resolutions were passed to increase the authorised share capital of the Company by HK\$100,000,000 by the creation of 10,000,000,000 new Shares of a nominal or par value of HK\$0.01 each. Our Company allotted and issued an aggregate of 7,800,000 such new Shares fully paid to BVI Co 1, BVI Co 2, BVI Co 3, BVI Co 4, BVI Co 5, BVI Co 6, BVI Co 7 and BVI Co 8 in proportion to their then shareholdings in our Company, being 1,014,000 Shares to BVI Co 1, 858,000 Shares to BVI Co 2, 780,000 Shares to BVI Co 3, 312,000 Shares to BVI Co 4, 468,000 Shares to BVI Co 5, 468,000 Shares to BVI Co 6, 3,120,000 Shares to BVI Co 7 and 780,000 Shares to BVI Co 8. At the same time, our Company repurchased all the 10,000 issued shares of a nominal or par value of US\$1.00 each at a price of US\$1.00 per such issued share. Following such repurchase, our Company cancelled the 50,000 authorized but unissued shares of a nominal or par value of US\$1.00 each in the capital of our Company.

On 22 November 2011, Sifang Investment was incorporated in BVI as a wholly-owned subsidiary of our Company and on 5 December 2011, Huifang Investment was incorporated in Hong Kong as a wholly-owned subsidiary of Sifang Investment.

On 22 November 2011, Tongda Investment was incorporated in BVI as a wholly-owned subsidiary of the Company and on 5 December 2011, Rongda Investment was incorporated in Hong Kong as a wholly-owned subsidiary of Tongda Investment, both of which are investment holding companies with no substantial business activity.

On 29 December 2011, Huifang PRC was established as a wholly foreign-owned enterprise in the PRC with Huifang Investment being its sole equity-holder. The total investment amount and the registered capital of Huifang PRC on its establishment were US\$100,000 and US\$100,000, respectively.

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On 10 February 2012, Huifang Tongda was established as a wholly owned subsidiary of Huifang PRC in the PRC. The registered capital of Huifang Tongda on its establishment was RMB100,000.

On 31 December 2011, 29 February 2012, respectively, all the agreements constituting the Contractual Arrangements were entered into between Huifang Tongda, Huifang PRC, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be).

Huifang Tongda, Huifang PRC, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be), entered a supplemental agreement to the Exclusive Management and Consultation Service Agreement on 21 November 2012 and amended the Equity Pledge Agreement on 22 May 2013, respectively, which were deemed part of the Contractual Arrangements.

Each of BVI Co 1, BVI Co 2, BVI Co 3, BVI Co 4, BVI Co 5, BVI Co 6 and the PRC Shareholders (other than Mr. Zhu) has agreed that it or he will not, at any time during the period of 12 months following the Listing Date, dispose of any of its Shares. The non-disposal undertakings given by Mr. Zhu, BVI Co 7 and BVI Co 8 are set out in "Underwriting" in this prospectus.

CONTRACTUAL ARRANGEMENTS

Background

The short-term secured financing business in which we currently engage is regulated by, amongst others, the Pawning Measures, which do not explicitly permit foreign-invested companies to operate a pawn loan business in the PRC. The Pawning Measures stipulate that rules and regulations governing the investment by foreign-invested companies in the pawn loan business in the PRC will be separately announced by MOFCOM and other relevant authorities. As of the Latest Practicable Date, no such 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 the 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 license 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. After verbal consultations with certain officials of DOC Jiangsu and as advised and confirmed by our PRC Legal Adviser, we understand that PRC governmental authorities currently will not as a matter of practice grant pawn operations business licenses to foreign-invested companies. By a letter dated 8 May 2013, DOC Jiangsu (which is, as advised by our PRC Legal Adviser, the department responsible for the supervision, administration and control of the pawn loan 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 loan business by foreign-invested companies in Jiangsu.

In order for us to manage a short-term secured financing business in China, we have entered into various agreements that constitute the Contractual Arrangements, 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 license, we rely

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on the PRC Operating Entity to hold and maintain the licenses necessary to operate our short-term secured financing business in China. All revenues of the Company during the Track Record Period were derived from the Contractual Arrangements. We undertake to unwind the Contractual Arrangements as soon as applicable PRC laws and regulations allow our short-term secured financing business to be directly operated by Huifang Tongda in China.

Purpose of the Contractual Arrangements

The rationale for entering into the agreements that constitute the Contractual Arrangements is to enable our Company and its subsidiaries to exert control over the PRC Operating Entity both financially and in terms of management. The Contractual Arrangements confer on our Company and its subsidiaries the following:

- (a) the right to enjoy all the economic benefits of the PRC Operating Entity, to exercise management control over the operation of the PRC Operating Entity, and to prevent leakage of assets and value to the registered equity holders of the PRC Operating Entity;
- (b) the ability to consolidate the financial results of the PRC Operating Entity as if it were a wholly-owned subsidiary of the Group under prevailing accounting principles;
- (c) the right to acquire, if any and when permitted by PRC law, the equity interests in and/or assets of the PRC Operating Entity at the minimum amount of consideration as required by applicable PRC law; and
- (d) a first priority security interest in the equity interest in Wuzhong Jiaye and Hengyue Consulting as security for the due performance of the Contractual Arrangements.

Please refer to the section headed “Risk Factors — Risks Relating to the Contractual Arrangements” in this prospectus for further information.

Summary of the Contractual Arrangements

Pursuant to the Contractual Arrangements, we manage our business operations indirectly in the PRC through the PRC Operating Entity by way of the Contractual Arrangements. Although our Group does not have any direct or indirect equity interest in the PRC Operating Entity, we manage to maintain effective control over the financial and operational policies of the PRC Operating Entity and are entitled to the economic benefits derived from the operations of the PRC Operating Entity through the Contractual Arrangements.

Under the Contractual Arrangements, the following agreements were entered into by the parties concerned:

Exclusive Management and Consultation Service Agreement

On 31 December 2011, Huifang PRC and the PRC Operating Entity entered into an exclusive management and consultation service agreement, as supplemented, (the “**Exclusive Management and Consultation Service Agreement**”) pursuant to which the PRC Operating Entity has agreed to engage Huifang PRC on an exclusive basis to provide consultation and other ancillary services, including without limitation enterprise management, market development and consultancy services.

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Pursuant to the Exclusive Management and Consultation Service Agreement, the PRC Operating Entity may not, among other restrictions or obligations, engage any other third party to provide similar services without the prior written consent of Huifang PRC.

In consideration for the provision of such services by Huifang PRC, the PRC Operating Entity has agreed to recognise consultation service fees payable to Huifang PRC on a quarterly basis. The consultation service fees will be billed by Huifang PRC to the PRC Operating Entity and are equivalent to the total revenue before tax audited pursuant to HKFRS less all the related costs incurred and reasonable expenses of the PRC Operating Entity.

The term of the Exclusive Management and Consultation Service Agreement commenced on 31 December 2011 and will expire on 30 December 2031 and is renewable at the sole election of Huifang PRC for successive terms as determined by Huifang PRC, until termination by Huifang PRC.

On 21 November 2012, Huifang Tongda and the PRC Operating Entity entered into a supplemental agreement to the Exclusive Management and Consultation Service Agreement (the “**Supplemental Agreement**”). Pursuant to the Supplemental Agreement, the consultation service fees, as the consideration for the provision of the service by Huifang Tongda, shall be equivalent to the total revenue before tax less all the related costs and expenses reasonably incurred by the PRC Operating Entity, provided that, Huifang Tongda may decide, for the purpose of operations and business expansion of the PRC Operating Entity, the actual amount of the service fees. The Supplemental Agreement is deemed to have retrospectively become effective on 1 July 2012. The Supplemental Agreement was entered into for the purpose of maintaining a certain level of net assets and net profits for the PRC Operating Entity, which will affect the amount of loans the PRC Operating Entity can grant and its ability to open a branch pursuant to the Pawning Measures, and to grant Huifang Tongda a right to decide the amount of the service fees charged on the PRC Operating Entity according to the PRC Operating Entity’s operational needs and future business expansion. Pursuant to the Supplemental Agreement, it is Huifang Tongda’s right to decide whether to change the amount of the service fees charged on the PRC Operating Entity, and pursuant to the Exclusive Call Option Agreement, Huifang Tongda has been irrevocably and unconditionally granted an option to acquire the entire equity interest in the PRC Operating Entity and/or all assets of the PRC Operating Entity. Any profits not paid to Huifang Tongda in the form of consultation service fees may be acquired by Huifang Tongda when it exercises its option under the Exclusive Call Option Agreement. As a result, our ability to receive the entire economic benefits of the PRC Operating Entity as provided by the Contractual Arrangement is not affected by the Supplemental Agreement.

Exclusive Call Option Agreement

On 31 December 2011, Huifang PRC, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into an exclusive call option agreement (the “**Exclusive Call Option Agreement**”) pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang PRC an option to acquire, directly and/or through one or more nominees, the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the PRC Operating Entity and/or all assets of the PRC Operating Entity at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations. If the PRC laws and regulations are silent in this regard, the price will be set at the nominal price agreed by the parties thereto. The PRC Operating Entity and the PRC Shareholders also agreed to the option granted to Huifang PRC. Subject to compliance with applicable PRC laws and regulations, Huifang

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PRC may exercise the option at any time, in respect of all or part of the equity interests and/or assets of the PRC Operating Entity in any manner in its sole discretion. In addition, Huifang PRC has undertaken to exercise the option and unwind the Contractual Arrangements as soon as applicable PRC laws and regulations allow our short-term secured financing business to be directly operated by Huifang PRC in China.

Pursuant to the Exclusive Call Option Agreement, the PRC Operating Entity may not, without the prior written consent of Huifang PRC, declare or distribute any dividends to its shareholders. Wuzhong Jiaye and Hengyue Consulting shall procure the PRC Operating Entity and the PRC Shareholders shall procure Wuzhong Jiaye and Hengyue Consulting, not to declare or distribute such dividends. In addition, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders have undertaken to assign or transfer to Huifang PRC and/or to one or more nominees any and all of dividend declared and distributed at any time or any interest payable to them by virtue of their holding of the equity interest in the PRC Operating Entity. Furthermore, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders have undertaken to assign or transfer to Huifang PRC and/or to one or more nominees any and all of proceeds or consideration received from the sales or disposal of the equity interest held in the PRC Operating Entity, and all of any appropriation of assets upon termination or liquidation of the PRC Operating Entity.

The Exclusive Call Option Agreement became effective on 31 December 2011 and will expire on the date on which all the equity interests or assets of the PRC Operating Entity are transferred to Huifang PRC and/or one or more nominees as contemplated under the Exclusive Call Option Agreement.

Proxy Agreement

On 31 December 2011, Huifang PRC, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a proxy agreement (the “**Proxy Agreement**”) whereby Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally undertook to authorise Huifang PRC or the directors and their associates as authorised by Huifang PRC to exercise shareholders’ rights under the articles of association of the PRC Operating Entity and applicable PRC laws and regulations. Such shareholders’ rights include but are not limited to (a) convening and attending the shareholders’ meetings of the PRC Operating Entity pursuant to its articles of association; (b) exercising voting rights on all matters requiring shareholders’ consideration and approval, including but not limited to the nomination and removal of all the directors and/or senior management members of the PRC Operating Entity whose appointment and removal is to be determined by the shareholders; (c) passing resolutions on the disposal of the assets of the PRC Operating Entity; (d) passing resolutions on the dissolution and liquidation of the PRC Operating Entity, forming a Liquidation Committee and exercising the rights and powers of the Committee, including but not limited to dealing with the assets of the PRC Operating Entity; (e) signing any and all shareholders resolutions; (f) filing all the relevant documents with the relevant companies registry; and (g) all other shareholders’ voting rights under the articles of association of the PRC Operating Entity and/or applicable PRC laws and regulations.

Pursuant to the Proxy Agreement, Huifang PRC may exercise such shareholders’ rights without the prior consultation with Wuzhong Jiaye, Hengyue Consulting or the PRC Shareholders. Wuzhong Jiaye, Hengyue Consulting as well as the PRC Shareholders shall not exercise such shareholders’ rights without the prior written consent of Huifang PRC.

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The Proxy Agreement became effective on 31 December 2011 and will expire on 30 December 2031 and is renewable at the election of Huifang PRC for successive terms as determined by Huifang PRC. The Proxy Agreement will expire upon the termination by Huifang PRC or until the date on which all the equity interest in the PRC Operating Entity are transferred to Huifang PRC and/or its nominees as contemplated under the Exclusive Call Option Agreement.

Equity Pledge Agreement

On 31 December 2011, Huifang PRC and the PRC Shareholders entered into an equity pledge agreement with Wuzhong Jiaye and Hengyue Consulting, respectively, as amended (the “**Equity Pledge Agreement**”), pursuant to which the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang PRC for guaranteeing the performance of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement and the Proxy Agreement.

Pursuant to the Equity Pledge Agreement, Huifang PRC is entitled to exercise its rights to sell all or part of the pledged equity interests in Wuzhong Jiaye and Hengyue Consulting upon the non-performance or breach of any of the terms of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and/or the Equity Pledge Agreement. In addition, the PRC Shareholders shall not pledge their respective equity interests in Wuzhong Jiaye and Hengyue Consulting in favour of or to other third parties without the prior written consent of Huifang PRC.

The Equity Pledge Agreement became effective on the date of its execution by all relevant parties (subject to the registrations of the pledge in the register of members of the PRC Operating Entity which have been completed) and shall terminate upon the performance by the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be) in full of all obligations under the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement, the Equity Pledge Agreement or the repayment of all losses arising from the breach of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and the Equity Pledge Agreement.

On 29 February 2012, Huifang PRC transferred all its rights and obligations under the Equity Pledge Agreement to Huifang Tongda in accordance with a transfer agreement of structural contracts (the “**VIE Transfer Agreement**”).

On 22 May 2013, Huifang Tongda, as the transferee of all the rights and obligations of Huifang PRC under the Equity Pledge Agreement, amended the Equity Pledge Agreement with the PRC Shareholders and each of Wuzhong Jiaye and Hengyue Consulting respectively. Pursuant to the amended Equity Pledge Agreement, the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda as a guarantee to the performance of the PRC Shareholders Loan Agreement, in addition to the performance of the Exclusive Management and Consultation Service Agreement (as described in details above), in addition to the Exclusive Call Option Agreement and the Proxy Agreement which was covered by the Equity Pledge Agreement entered into on 31 December 2011 and transferred to Huifang Tongda on 29 February 2012 as described in the immediate preceding paragraph.

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Pursuant to the amended Equity Pledge Agreements, Huifang Tongda is entitled to exercise its rights to sell all or part of the pledged equity interests in Wuzhong Jiaye and Hengyue Consulting upon the non-performance or breach of any of the terms of the Exclusive Management and Consultation Service Agreement (as supplemented), the Exclusive Call Option Agreement, the Proxy Agreement, the PRC Shareholders Loan Agreement, and the amended Equity Pledge Agreement. In addition, the PRC Shareholders shall not pledge their respective equity interests in Wuzhong Jiaye and Hengyue Consulting in favour of or to other third parties without the prior written consent of Huifang Tongda.

The amended Equity Pledge Agreement became effective on 22 May 2013 upon execution by all relevant parties and the completion of the registrations of the pledge in the register of members of the PRC Operating Entity which have been completed, and shall terminate upon the performance of all obligation is full or the repayment of all losses arising from the breach by the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be) under the Exclusive Management and Consultation Service Agreement (as supplemented), the Exclusive Call Option Agreement, the Proxy Agreement, the PRC Shareholders Loan Agreement, and the amended Equity Pledge Agreement.

In addition, as the shareholders of the PRC Operating Entity, Wuzhong Jiaye and Hengyue Consulting amended the articles of association of the PRC Operating Entity on 31 December 2011. According to the articles of association currently in effect, no shareholder may pledge any of its equity interest in the PRC Operating Entity to any party.

VIE Transfer Agreement

On 29 February 2012, Huifang Tongda, Huifang PRC, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into the VIE Transfer Agreement pursuant to which Huifang PRC has agreed to transfer all of its rights and obligations under the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and the Equity Pledge Agreement to Huifang Tongda. Accordingly, on the same date, Huifang Tongda entered into relevant new agreements with the respective parties to effectuate such transfer. The VIE Transfer Agreement and such new agreements became effective on 29 February 2012. After the transfer, Huifang PRC became an investment holding company with no substantive businesses and may serve as a platform for the Company to expand into various new business sectors.

The PRC Shareholders Loan Agreement

In order to effectuate the use of proceeds from the Global Offering and contribute the funds equivalent to the Capital Contribution Amount to the registered capital of the PRC Operating Entity, on 22 May 2013 Huifang Tongda, PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a loan agreement (the “**PRC Shareholders Loan Agreement**”), pursuant to which Huifang Tongda agreed to extend interest-free loans equivalent to the Capital Contribution Amount to the PRC Shareholders in accordance with the PRC laws and regulations. The PRC Shareholders will contribute all loan proceeds to the registered capital of Wuzhong Jiaye and Hengyue Consulting, which will in turn contribute such loan proceeds to the PRC Operating Entity as registered capital. Under the PRC Shareholders Loan Agreement, Huifang Tongda may request, at any time in its absolute discretion and to the extent permitted by the PRC laws and regulations, the PRC Shareholders to repay the loan (i) by using the capital realized from

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Huifang Tongda's exercise of its rights under the Exclusive Call Option Agreement to purchase from Wuzhong Jiaye and Hengyue Consulting, the entire equity interest in the PRC Operating Entity and/or all assets of the PRC Operating Entity, followed with a capital reduction of Wuzhong Jiaye and Hengyue Consulting (as well as PRC Operating Entity, as applicable); or (ii) any other means as permitted by applicable PRC laws and regulations. As advised by our PRC Legal Advisers, loans granted by Huifang Tongda to the PRC Shareholders are not in violation of the General Loan Provision (貸款通則), which does not prohibit loans from an enterprise to an individual.

Manner of Settlement of Disputes Which May Arise from the Contractual Arrangements

All the agreements which constitute the Contractual Arrangements contain a provision for resolving disputes by arbitration at China International Economic and Trade Arbitration Commission in accordance with its then prevailing arbitration rules. These agreements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the PRC Operating Entity, injunctive relief and/or winding up of the PRC Operating Entity as interim remedies. In addition, these agreements also contain provisions to the effect that courts of competent jurisdiction are empowered to grant interim remedies in support of the arbitration: (a) pending formation of an arbitral tribunal; or (b) where appropriate, courts of (i) Hong Kong, (ii) the place of incorporation of the Company (i.e., the Cayman Islands); (iii) the place of incorporation of the PRC Operating Entity (i.e. Suzhou, China); and (iv) the place(s) where our Company's or the PRC Operating Entity's principal assets are located shall have jurisdictions for such limited purpose.

However, our PRC Legal Adviser has advised us that under PRC law, some of the above contractual terms may not be enforceable. For instance, under PRC law, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity-interests in the PRC Operating Entity in case of disputes. Such remedies therefore may not be available to our Group, notwithstanding provisions being contained in the Contractual Arrangements. PRC law does not prohibit the arbitral body from giving an award of transfer of assets of or equity interest in the PRC Operating Entity in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the courts of competent jurisdiction in the PRC.

However, the courts of competent jurisdiction in the PRC may or may not support such award of the arbitral body when deciding whether to take enforcement measures. Under PRC law, courts or judicial authorities in the PRC generally do not award remedies over the shares and/or assets of the PRC Operating Entity, injunctive relief or winding-up of the PRC Operating Entity as interim remedies, for the purpose of protecting assets or shares in favour of any aggrieved party to the Contractual Arrangements, before there is any final outcome of arbitration. Our PRC Legal Adviser also have reservation that even though the contractual provisions under the Contractual Arrangements provide that overseas courts are given jurisdiction to grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by overseas courts in favour of an aggrieved party) may not be recognised or enforced by the PRC court. In the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the PRC Operating Entity, and our ability to conduct our business may be negatively affected.

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Effect and Validity of the Contractual Arrangements

The PRC Shareholders, Wuzhong Jiaye and Hengyue Consulting are all signing parties to each agreement under the Contractual Arrangements. More specifically, (i) according to the Exclusive Call Option Agreement, the PRC Shareholders, as the indirect shareholders of the PRC Operating Entity, agreed that Wuzhong Jiaye and Hengyue Consulting, as the direct shareholders of the PRC Operating Entity, irrevocably and unconditionally granted Huifang Tongda an option to acquire the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the PRC Operating Entity and/or all assets of the PRC Operating Entity at the minimum price as may be permitted by applicable PRC laws and regulations; (ii) according to the Proxy Agreement, the PRC Shareholders, as the indirect shareholders of the PRC Operating Entity, agreed that Wuzhong Jiaye and Hengyue Consulting, as the direct shareholders of the PRC Operating Entity, irrevocably and unconditionally authorized Huifang Tongda to exercise the shareholders' rights under the articles of association of the PRC Operating Entity and applicable PRC laws and regulations; and (iii) according to the Equity Pledge Agreement, as amended, the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda for guaranteeing the performance of the Exclusive Management and Consultation Service Agreement, as supplemented, the Exclusive Call Option Agreement, the PRC Shareholders Loan Agreement and the Proxy Agreement. As a result, the Directors believe that the shareholding structure of the PRC Operating Entity will not affect the effectiveness of the Contractual Arrangements.

The Contractual Arrangements effectively transfer the economic benefits of the PRC Operating Entity and the risks associated therewith to Huifang Tongda, and, on this basis, the financial position and operating results of the PRC Operating Entity are consolidated into our Group's consolidated financial statements.

Our PRC Legal Adviser has advised us that (a) each and all of the contracts under the Contractual Arrangements were duly executed and are legal, valid and enforceable under relevant PRC laws and regulations except that some of the dispute resolution provisions in these agreements may not be enforceable, which has been disclosed in the paragraph headed "Manner of Settlement of Disputes Which May Arise from the Contractual Arrangements" under the section headed "Our History and Reorganisation" in this prospectus; (b) the Contractual Arrangements, taken together as a whole, are legal and valid under the PRC laws and regulations; (c) the Contractual Arrangements, together as a whole, do not violate any prevailing PRC laws or regulations or the articles of association of the PRC Operating Entity; (d) save for the registration of the pledges of equity interests under the Equity Pledge Agreement with the relevant authority in the PRC, which has been effected, no consent, approval, permit or authorization by any PRC government authorities is required under PRC law or regulations for the validity or effectiveness of any of the Contractual Arrangements; and (e) the contracts under the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC Contract Law. However, our PRC Legal Adviser has also advised that there is the possibility that the PRC government may have different opinions on the interpretation of applicable PRC regulations and may not agree that these contracts under the 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. As PRC laws and regulations governing the validity of these contracts under the Contractual Arrangements are uncertain and the relevant government authorities have broad

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discretion in interpreting these laws and regulations, therefore each and all contracts under the Contractual Arrangements may be void and not be effectively enforced. Please see the section headed “Risk Factors — Risks Relating to the Contractual Arrangements” in this prospectus.

Mr. Shen Danyang, a spokesman of MOFCOM, confirmed at a regular briefing on 20 September 2011 that there are currently no laws or regulations to regulate VIE structures, and MOFCOM and other related government agencies are currently studying ways to regulate such investment structures. Our PRC Legal Adviser has confirmed that as of the Latest Practicable Date, no challenge to the Contractual Arrangements from the relevant PRC authorities has been officially announced or publicized.

In addition, during verbal consultation with certain officials of DOC Jiangsu on 15 February 2012, our Company described to such officials the structure of the Contractual Arrangements. The officials of DOC Jiangsu expressed no objection to our Company’s entering into the Contractual Arrangements. The officials of DOC Jiangsu confirmed to our Company that (i) there has been no explicit laws or regulations promulgated in the PRC to regulate the Contractual Arrangements; and (ii) based on the prevailing laws and regulations, the Company would not be sanctioned if the Contractual Arrangements were entered into. On 7 August 2013, we, our PRC Legal Adviser and the PRC legal adviser of the Sole Sponsor met with certain officials of DOC Jiangsu for consultations and it was confirmed that since the date of the Company’s last consultation with DOC Jiangsu on 15 February 2012, there has been no change on the position of DOC Jiangsu on the Contractual Arrangement. As advised by our PRC Legal Adviser, the officials of DOC Jiangsu giving the opinion were the competent persons to give confirmation on such issues. Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC government authorities in operating our business through the Contractual Arrangements.

Potential Conflict of Interests Between the Group and the PRC Shareholders

Each of Mr. Chen Yannan and Mr. Zhuo You is a PRC Shareholder and a Director who will make corporate decisions for the Company, and thus there may be situations in which conflict of interests may arise between the Company and the PRC Shareholders, such as where the Company has claims against the PRC Shareholders for not fulfilling certain obligations of the Contractual Arrangements or wishes to take over the assets in accordance with the terms of the Contractual Arrangements.

In case of any potential conflicts of interests between the Group and the PRC Shareholders, there are arrangements under the Listing Rules and the Company’s Articles of Association and the Company has in place certain measures that will address such potential conflicts of interests should these arise. In accordance with the Listing Rules (including the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules), the Directors will not vote on any resolution and will not be counted in the quorum at any meeting of the Board for approving any contract, arrangement or proposal in which such Director or any of his/her associates has a material interest.

In the event that the independent non-executive Directors decide that a Director should not be present at a meeting where matters arising from material competition or material potential competition between the businesses of the Group and any other businesses of which such Director

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or any of his/her associates is materially interested in are the subject of discussion, such Director would be requested to absent himself/herself from such meeting. This corporate measure has been incorporated into the Company's Articles of Association.

Furthermore, the Board will ensure that any material conflict or material potential conflict of interests will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered. Following the reporting of any material conflict or material potential conflict of interests, the Board will hold a management meeting to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities and alert the Board, including the independent non-executive Directors, to take any precautionary actions where necessary.

Protection of Interest of the Company and Its Public Shareholders

We have implemented various measures in the Contractual Arrangements to protect the interests of the Company and its public shareholders, including but not limited to the following:

- (a) Under the Exclusive Management and Consultation Service Agreement and its supplement, the PRC Operating Entity may not engage any other third party other than Huifang Tongda to provide similar services without prior written consent of the latter. In addition, the agreement is irrevocable upon its coming into effect and its term may be extended for successive terms at the sole election of Huifang Tongda.
- (b) Under the Proxy Agreement, Wuzhong Jiaye and Hengyue Consulting irrevocably undertook to authorize Huifang Tongda to exercise shareholders' rights under the articles of association of the PRC Operating Entity and the applicable PRC laws and regulations. Huifang Tongda may exercise the shareholders' rights without prior consent of Wuzhong Jiaye or Hengyue Consulting, and Wuzhong Jiaye/Hengyue Consulting may not exercise the shareholders' rights without prior consent of Huifang Tongda. In addition, the agreement is irrevocable upon its coming into effect and its term may be extended for successive terms at the sole election of Huifang Tongda.
- (c) Under the Exclusive Call Option Agreement, without Huifang Tongda's prior written consent, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders shall not, and shall not cause its management to, transfer or dispose of in any other means, the equity interest, assets, or the legal beneficial right of business of the PRC Operating Entity or establish any encumbrances on the equity interest of the PRC Operating Entity. Once Huifang Tongda issues the exercise notice, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders shall adopt appropriate resolutions and provide necessary assistance (including executing all relevant legal documents and completing all relevant governmental formalities) to effectuate the transfer of all the equity interest or assets of the PRC Operating Entity to Huifang Tongda. In addition, the PRC Operating Entity shall not take any actions or allow any action which may affect Huifang Tongda's interests under the Exclusive Call Option Agreement.
- (d) Under the Equity Pledge Agreement, without Huifang Tongda's prior written consent, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders shall not establish any new encumbrances on the registered capital of the PRC Operating Entity and shall not take any actions which may affect Huifang Tongda's interests under the Equity Pledge Agreement.

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In the event that any of Wuzhong Jiaye, Hengyue Consulting or the PRC Shareholders breaches any of its/their undertakings under the Contractual Arrangements, Huifang Tongda has the right to claim indemnification for all its losses from the breaching parties.

Protection of the Company's Interest in the Event of Death, Bankruptcy or Divorce of the PRC Shareholders

Pursuant to the Exclusive Call Option Agreement, we have an option to acquire directly and/or through one or more nominees, the equity interest held by direct Shareholders in the PRC Operating Entity, as permitted by applicable PRC laws and regulations. Further, each agreement under the Contractual Arrangements includes a provision that each such agreement has binding effect on the legal assignees or heirs of the parties to each such agreement. In the event of death, bankruptcy or divorce of any PRC Shareholders, the Company may exercise its option to replace the relevant shareholders and the newly-appointed nominee shareholders will still be subject to the Contractual Arrangements.

In addition, a letter of consent has been issued by the spouse of each PRC Shareholder. According to the letter, each spouse (i) unconditionally agreed on the execution of the Contractual Arrangements, the VIE Transfer Agreement and other relevant documents, if any, by the PRC Shareholders; (ii) confirmed that they would cooperate with the performance of the Contractual Arrangements at any time; and (iii) undertook not to bring any action, claim or pleading against the Contractual Arrangements.

Accounting Implications

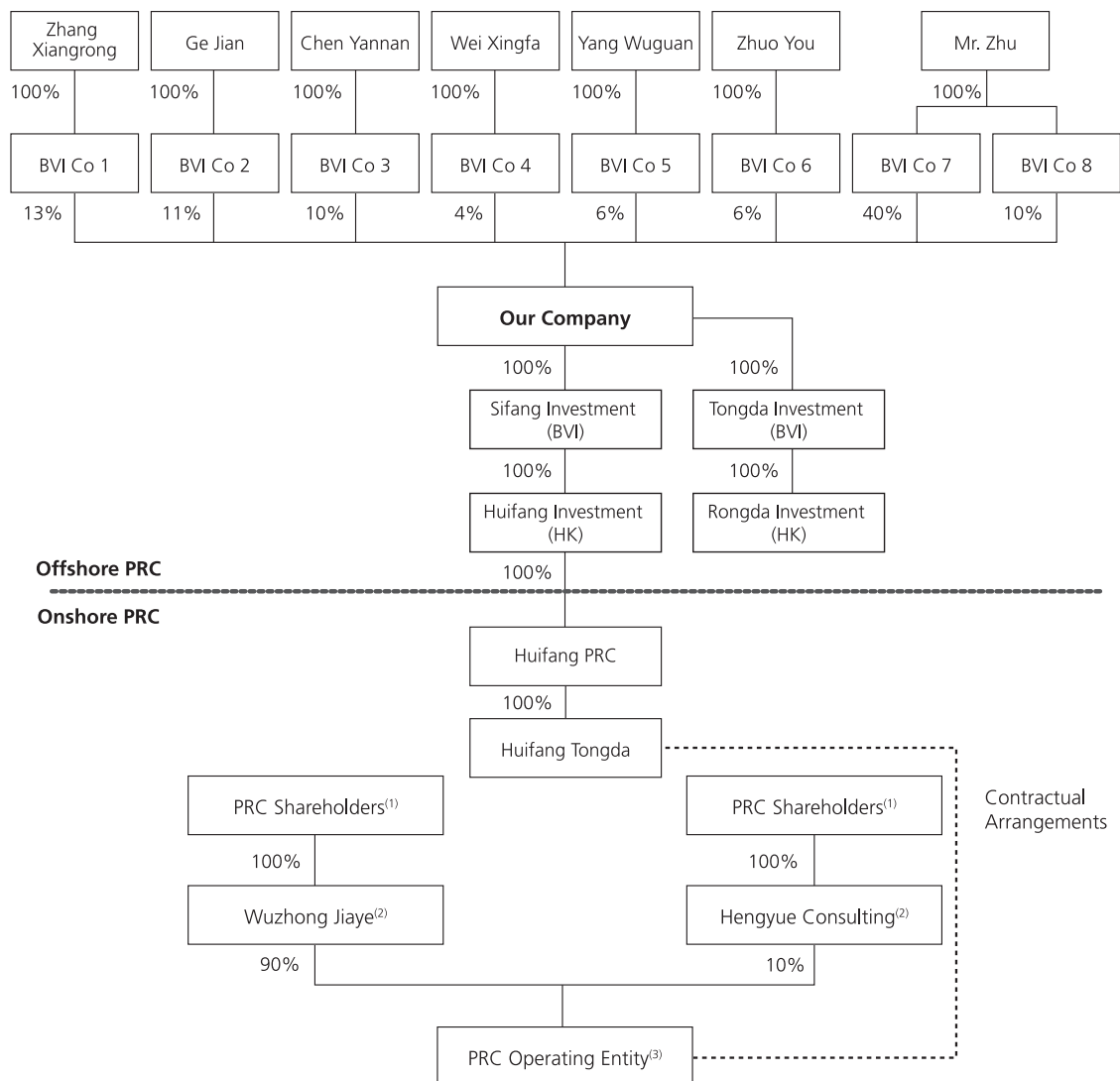
Our Company considers that although our Group does not have an equity interest in the PRC Operating Entity, pursuant to the terms of the Contractual Arrangements, Huifang Tongda has the power to govern the financial and operational policies of the PRC Operating Entity so as to obtain substantially all of the economic benefits from its activities. As a result, our Group is considered to be the primary beneficiary of the results, assets and liabilities of the PRC Operating Entity, and our Company regards the PRC Operating Entity as an indirect subsidiary under HKFRS notwithstanding its lack of equity ownership. The Group has included the financial results, assets and liabilities of the PRC Operating Entity in the consolidated financial statements.

The Accountant's Report set out in Appendix I to this prospectus has been prepared in accordance with HKFRS. Please refer to Appendix I for more details about the inclusion of the financial position and results of the PRC Operating Entity in our Group's consolidated financial statements.

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OUR GROUP STRUCTURE

As a result of the Reorganisation and the Contractual Arrangements and up to the Latest Practicable Date and before the Capitalisation Issue and the Global Offering (and assuming that the Over-allotment Option is not exercised), the shareholding structure of our Group is as follows:

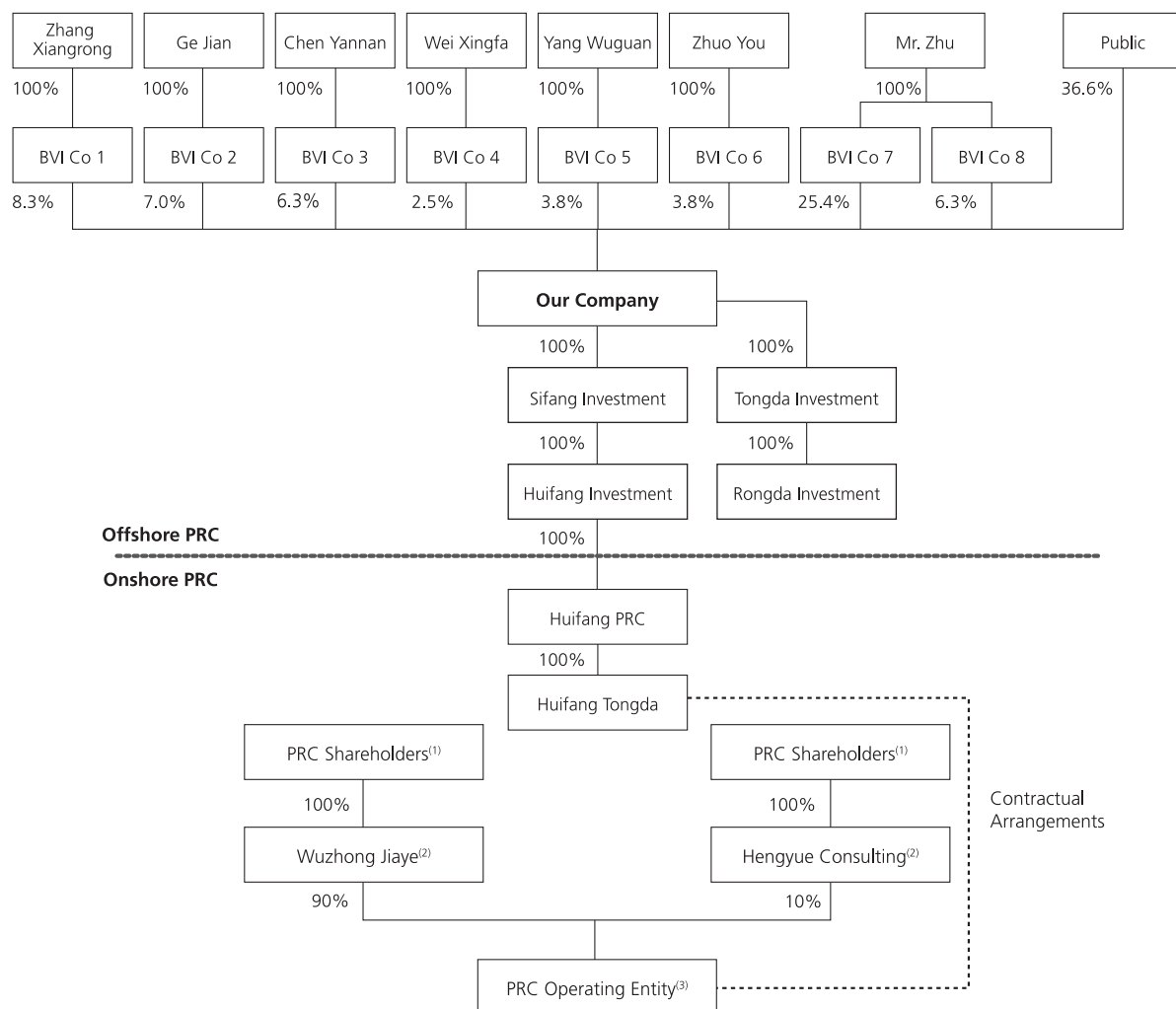


Notes:

- (1) The PRC Shareholders are Mr. Zhu (50%), Zhang Xiangrong (13%), Ge Jian (11%), Chen Yannan (10%), Wei Xingfa (4%), Yang Wuguan (6%) and Zhuo You (6%).
- (2) As provided by the Pawning Measures, a pawn loan provider must have at least two legal person shareholders, meaning shareholders that are corporate entities. The Directors believe that such a shareholding structure for the PRC Operating Entity will not affect the effectiveness of the Contractual Arrangements (including in event of claims by the Company against the PRC Shareholders). For more details, see “— Effect and Validity of the Contractual Arrangements” in this prospectus.
- (3) The PRC Operating Entity, through the Contractual Arrangements, has contractual relationships with Huifang Tongda and its financial position and results are consolidated into our Group. For more details, please refer to the paragraph headed “Contractual Arrangements” in this prospectus.

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Immediately following completion of the Capitalisation Issue and the Global Offering (but assuming that the Over-allotment Option is not exercised), the shareholding structure of our Group will be as follows:



Notes:

- (1) The PRC Shareholders are Mr. Zhu (50%), Zhang Xiangrong (13%), Ge Jian (11%), Chen Yannan (10%), Wei Xingfa (4%), Yang Wuguan (6%) and Zhuo You (6%).
- (2) As provided by the Pawning Measures, a pawn loan provider must have at least two legal person shareholders, meaning shareholders that are corporate entities. The Directors believe that such a shareholding structure for the PRC Operating Entity will not affect the effectiveness of the Contractual Arrangements (including in event of claims by the Company against the PRC Shareholders). For more details, see “— Effect and Validity of the Contractual Arrangements” in this prospectus.
- (3) The PRC Operating Entity, through the Contractual Arrangements, has contractual relationships with Huifang Tongda and its financial position and results are consolidated into our Group.