



中國集成金融集團控股有限公司
China Success Finance Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3623

GLOBAL OFFERING

Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



China Success Finance Group Holdings Limited (中國集成金融集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	: 100,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 10,000,000 Shares (subject to reallocation)
Number of International Placing Shares	: 90,000,000 Shares (subject to the Over-allotment Option and reallocation)
Offer Price	: Not more than HK\$2.80 per Offer Share (payable in full on application and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$1.80 per Offer Share
Nominal Value	: HK\$0.01 per Share
Stock Code	: 3623

Joint Sponsors



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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on or about Tuesday, 5 November 2013 or such later time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us, but in any event no later than 6:00 p.m. (Hong Kong time) on Friday, 8 November 2013. If, for any reason, the Joint Global Coordinators (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price by 6:00 p.m. on Friday, 8 November 2013, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$2.80 per Offer Share and is currently expected to be not less than HK\$1.80 per Offer Share unless otherwise announced in the manner set out below. Investors applying for Offer Shares must pay the maximum Offer Price of HK\$2.80 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price finally determined is lower than HK\$2.80 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range below that as stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Public Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. For further information, see the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Public Offer Shares" in this prospectus.

Pursuant to the force majeure provisions contained in the Public Offer Underwriting Agreement, the Joint Global Coordinators (on behalf of the Underwriters) have the right in certain circumstances, subject to their sole and absolute opinion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be Wednesday, 13 November 2013). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting" in this prospectus.

31 October 2013

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable (Note 1) of the Public Offer.

Latest time to complete electronic applications under the White Form eIPO service through the designated website at www.eipo.com.hk (Note 3)	11:30 a.m. on Tuesday, 5 November 2013
Application lists for the Public Offer open (Note 2)	11:45 a.m. on Tuesday, 5 November 2013
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC (Note 7)	12:00 noon on Tuesday, 5 November 2013
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 5 November 2013
Application lists for the Public Offer close (Note 2)	12:00 noon on Tuesday, 5 November 2013
Expected Price Determination Date (Note 4)	Tuesday, 5 November 2013
Announcement of the Offer Price, the level of applications in the Public Offer, the level of indications of interest in the International Placing and the basis of allocation of the Public Offer Shares to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.gdjerzdb.cn on or before (Note 5)	Tuesday, 12 November 2013
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See the section headed "How to apply for the Public Offer Shares — Publication of results") from	Tuesday, 12 November 2013
Results of allocations for the Public Offer will be available at www.iporesults.com.hk with a "search by ID" function	Tuesday, 12 November 2013
Share certificates (if applicable) in respect of wholly or partially successful applications to be despatched on or before	Tuesday, 12 November 2013
White Form e-Refund payment instructions/Refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before (Note 6)	Tuesday, 12 November 2013
Dealings in Shares on the Stock Exchange to commence on	Wednesday, 13 November 2013

EXPECTED TIMETABLE

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and conditions of the Global Offering”.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 November 2013, the application lists will not open on that day. Further information is set out in the section headed “How to apply for the Public Offer Shares — Effect of bad weather on the opening of the application lists”.
3. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
4. The Offer Price is expected to be determined by Tuesday, 5 November 2013, but in any event, the expected time for determination of the Offer Price will not be later than Friday, 8 November 2013. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, and our Company by Friday, 8 November 2013, the Global Offering will not proceed.
5. If the Offer Price is determined on or before Friday, 8 November 2013, the announcement of the Offer Price, the level of applications in the Public Offer, the level of indications of interest in the International Placing and the basis of allocation of the Public Offer Shares and the successful applicants’ identification document numbers will be published on or before Tuesday, 12 November 2013.
6. Applicants who apply for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated on their Application Forms that they wish to collect any refund cheque(s) (if applicable) and/or share certificate(s) (if applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 November 2013. Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations’ chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, must be produced at the time of collection. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified on the relevant Application Forms. Further details are set out in the section headed “How to apply for the Public Offer Shares — Refund of application monies”.
7. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS” for details.

Share certificates for the Public Offer Shares are expected to be issued on Tuesday, 12 November 2013, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination by the Public Offer Underwriters” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed “Structure and conditions of the Global Offering” in this prospectus.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

	Page
Expected timetable	i
Contents	iii
Summary	1
Definitions	11
Forward-looking statements	24
Risk factors	25
Waiver from compliance with the Listing Rules	48
Information about this prospectus and the Global Offering	50
Directors and parties involved in the Global Offering	54
Corporate information	57
Industry overview	59
Regulatory overview	74
History and development	89
Reorganisation	94
Business	103
Relationship with our Controlling Shareholders	208
Connected transactions	210
Directors, senior management and staff	212
Substantial Shareholders	221

CONTENTS

	Page
Share capital	222
Financial information	224
Future plans and use of proceeds from the Global Offering	276
Underwriting	277
Structure and conditions of the Global Offering	285
How to apply for the Public Offer Shares	293
Appendices	
Appendix I — Accountants' report	I-1
Appendix II — Unaudited pro forma financial information	II-1
Appendix III — Summary of the constitution of our Company and the Cayman Islands company law	III-1
Appendix IV — Statutory and general information	IV-1
Appendix V — Documents delivered to the Registrar of Companies and available for inspection	V-1

SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

We are a leading guarantee service provider offering financial and non-financial guarantee services and financial consultancy services in Foshan City, Guangdong Province, the PRC. We aim to provide integrated financial services to enterprises, mainly SMEs, in China to assist them to improve their overall fund-raising capabilities and enable them to obtain funding for business development. According to the Ipsos Research Report, Success Guarantee, our PRC operating subsidiary, ranked the seventh and the second largest financial guarantee service provider in Guangdong Province and Foshan City respectively in terms of revenue in 2012. Success Guarantee was accredited as a “Model Institution of SME Financing Services in Guangdong Province” (廣東省中小企業融資服務示範機構) by the Guangdong Province SME Bureau (廣東省中小企業局) in 2011. Our Group is controlled by Mr. Zhang, Mr. Xu, Mr. Pang and three companies wholly-owned by each of them respectively. Mr. Zhang was one of the founders of our Group, our chairman and an executive Director, responsible for our Group’s strategic planning and overall business management. Each of Mr. Xu and Mr. Pang is a non-executive Director.

OUR PRINCIPAL BUSINESS ACTIVITIES

Our Group mainly provides financial guarantees to SMEs to assist them in obtaining loans from banks or other financial institutions. Under a typical financial guarantee transaction, our Group will provide a guarantee in respect of repayment of the loan provided by the lending institution for our customer and charge a guarantee fee for the provision of guarantee services. To secure the guarantee, we will require our customers and/or any third party to provide various kinds of counter-guarantees in favour of our Group. Our Group entered into 205, 212, 201 and 76 new financial guarantee contracts, with an aggregate amount of new financial guarantees of approximately RMB1,079 million, RMB1,501 million, RMB1,407 million and RMB516 million in each of the three years ended 31 December 2012 and the five months ended 31 May 2013 respectively. The financial guarantee fee received from our customers is proportionate to the guarantee amount agreed between us and our customer, which usually ranged from 0.5% to 4% (for guarantees with a term of no more than 12 months), from 4.5% to 6% (for guarantees with a term of 13 to 24 months) and from 5.5% to 7.5% (for guarantees with a term of 25 to 36 months) of the guarantee amount. Further, we provide guarantee services in relation to various financial products, including, among others, the Foshan SME Bills, which was among the first batch of bills of such kind launched in the PRC, and an issue of private placement bonds by an SME (中小企業私募債). Further information in relation to our various guarantee services is set out in the section headed “Business — Principal business activities” of this prospectus.

According to the Ipsos Research Report, the guarantee industry in the Guangdong Province is consolidating with the top financial guarantee companies, where the top seven financial guarantee service providers, in terms of revenue, in the Guangdong Province accounted for about 28.7% of the total market revenue in 2012. There were about 373 and 37 registered financial guarantee service providers in Guangdong Province and Foshan City respectively in 2012. Instead of engaging in direct competition, financial guarantee companies strive to raise their reputation and strengthen their relationship with banks. The major factors affecting their performance include their capital, their risk control ability and their relationship with banks. During the Track Record Period, we had business relationships with 20 financial institutions to facilitate the financing of SMEs, including, among others, a policy bank, state-owned commercial banks, joint-stock commercial banks, local commercial banks, rural banks, a provincial re-guarantee company and a trust company. During the Track Record Period, we mainly cooperate with lending banks. Our cooperation agreements with such banks generally stipulate requirements regarding our maximum total outstanding guarantee amount, our maximum outstanding guarantee amount with the cooperating lending bank, our maximum guarantee amount to a single customer and the amount of cash deposit which we need to pledge to the lending

SUMMARY

bank. For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, approximately RMB34.3 million, RMB38.6 million, RMB35.8 million and RMB13.6 million was generated from our cooperative arrangements with such lending banks, representing about 100.0%, 95.0%, 79.2% and 72.5% of the revenue from our financial guarantee services during the respective periods.

Our Group also provides our customers with non-financial guarantee services, including performance guarantees in relation to, inter alia, the performance of payment obligations, under the agreements entered into between our customers and their counter-parties; and litigation guarantees in which we provide guarantee to the court that we will compensate the litigating counter-party for the loss incurred due to the freezing of such counter-party's property by the court as a result of our customers' inappropriate application for property preservation against such counter-party. During the Track Record Period, our guarantee fee rate for litigation guarantee and performance guarantee usually ranged from 0.5% to 1.5% and from 0.5% to 3.5% respectively of the guarantee amount.

In addition to the provision of guarantee services, in 2011, we commenced providing financial consultancy services for which we receive consultancy fees from our customers in return. We provide tailor-made financial consultancy services by proposing different financing methods or products to our customers and assisting them to apply for financing. We may introduce them to our guarantee services depending on individual circumstances and if the customer satisfies our requirements and risk assessment criteria.

Internal control and risk management

The core of our business is to provide guarantee services based on our risk assessment of our customers and assessment of their loan repayment capacity. Our business operation department will conduct initial meetings with the applicant for guarantee services and collect corporate and financial information from them to identify applicants who meet our basic requirements. It will conduct due diligence investigation and assessment on them based on our internal guidelines and prepare a due diligence report for review by our risk control department. Where the application is approved by our risk control department, our risk management committee will review the guarantee applications and pass resolutions approving or disapproving the application. Such resolutions will be checked and endorsed by our risk control director and passed to the general manager of Success Guarantee for his review and approval. Factors we consider in a guarantee approval process include, among others, the operational and financial conditions of the borrower company and its owners and the use of loan proceeds. Further, we design counter-guarantee measures and require our customers and/or their owners or third parties to provide collaterals and/or counter-guarantees to us as security for our guarantee.

During the guarantee period, the project manager assigned to each case will liaise closely with the customer to understand, assess and monitor the customer's financial condition, business operation, use of funds, material changes in management, counter-guarantee condition and performance of obligations under the guarantee contract, and will conduct regular assessment of the customer's business operation and/or assets and liabilities.

For each of the three years ended 31 December 2012 and the period from 1 January 2013 and up to the Latest Practicable Date, the actual amount indemnified by us was approximately RMB2.2 million, RMB20.7 million, RMB17.0 million and RMB5.0 million respectively; our default rate was approximately 0.2%, 1.3%, 1.1% and 0.3% respectively while our actual loss rate was approximately 0%, 0.01%, 0.07% and 0% respectively. The actual loss amount incurred by us for the default case for the period from 1 January 2013 and up to the Latest Practicable Date was nil.

Our risk exposure and collaterals for our outstanding guarantees

As at 31 December 2012 and 31 May 2013, the total outstanding guarantees issued by Success Guarantee amounted to approximately RMB1,483.5 million and RMB1,539.1 million, which represented approximately 4.28 times and 4.20 times of its net assets, respectively. As at 31 December 2012 and 31 May 2013, the total outstanding guarantee amount of Success Guarantee was below the Aggregate Cap Amount.

SUMMARY

The table below sets out the aggregate outstanding guarantee amount secured by collaterals (fully or partially) and the guarantee amount not secured by any collateral as at 31 December 2012 and 31 May 2013:

	As at 31 December 2012			As at 31 May 2013		
	Aggregate outstanding guarantee amount		Total	Aggregate outstanding guarantee amount		Total
	Secured by collaterals (RMB million)	Not secured by collaterals (RMB million)		Secured by collaterals (RMB million)	Not secured by collaterals (RMB million)	
Financial guarantees	1,317.7	50.0	1,367.7	1,359.6	50.0	1,409.6
Litigation guarantees	—	57.3	57.3	—	71.0	71.0
Performance guarantees	18.5	40.0	58.5	18.5	40.0	58.5
	<u>1,336.2</u>	<u>147.3</u>	<u>1,483.5</u>	<u>1,378.1</u>	<u>161.0</u>	<u>1,539.1</u>

The table below sets out the total value which is internally verifiable by our internal records and documentation of (i) collaterals registered exclusively in favour of our Group; (ii) collaterals not registered exclusively in favour of our Group; (iii) collaterals registered exclusively in favour of third parties; and (iv) unregistered collaterals and customers' pledged deposits provided for obligations guaranteed by us as at 31 December 2012 and 31 May 2013:

	Value of collaterals as at 31 December 2012				
	Registered exclusively to our Group (RMB million)	Not registered exclusively to our Group (RMB million)	Registered exclusively in favour of third parties (RMB million)	Unregistered collaterals and customers' pledged deposits (RMB million)	Total (RMB million)
Financial guarantees	1,527.5	6.6	446.3	3,539.8	5,520.2
Litigation guarantees	—	—	—	—	—
Performance guarantees	—	—	—	12.5	12.5
Total	<u>1,527.5</u>	<u>6.6</u>	<u>446.3</u>	<u>3,552.3</u>	<u>5,532.7</u>

	Value of collaterals as at 31 May 2013				
	Registered exclusively to our Group (RMB million)	Not registered exclusively to our Group (RMB million)	Registered exclusively in favour of third parties (RMB million)	Unregistered collaterals and customers' pledged deposits (RMB million)	Total (RMB million)
Financial guarantees	1,479.2	6.8	485.1	3,452.2	5,423.3
Litigation guarantees	—	—	—	—	—
Performance guarantees	—	—	—	12.1	12.1
Total:	<u>1,479.2</u>	<u>6.8</u>	<u>485.1</u>	<u>3,464.3</u>	<u>5,435.4</u>

SUMMARY

Accordingly, as at 31 December 2012 and 31 May 2013, the total asset value (according to our internal valuation) of collaterals not registered in favour of our Group as primary beneficiary, which consisted of (i) collaterals registered not exclusively in favour of our Group; (ii) collaterals registered exclusively in favour of third parties; and (iii) unregistered collaterals and customers' pledged deposits, amounted to approximately RMB4,005.2 million and RMB3,956.2 million, representing approximately 72.4% and 72.8% of the total internally verifiable value of collaterals provided in respect of our guarantees, respectively.

It is possible that the collaterals and/or counter-guarantees provided in respect of loans guaranteed by us cannot be realised, or cannot be realised in time, or cannot be realised at prices that are equal to or above the amount of our liability under the guarantees given by us. Please refer to the section headed "Risk factors — Our Group provides financial and non-financial guarantee services to our customers and guarantees the repayment of loans or performance by our customers of their obligations and our Group will be liable under the guarantees given by us if our customers default; and the counter-guarantees obtained from our customers may not be sufficient to cover our corresponding exposure under the guarantees given by us" in this prospectus.

In considering a guarantee application, we have been primarily focusing on considering the loan repayment capability and creditworthiness of its potential customers in the first resort for every guarantee transaction, rather than the value of collaterals provided by them as supplementary assurance. As such, during the Track Record Period, we did not adopt any prescribed loan-to-value ratios as a prerequisite or assessment criterion for guarantee applications. For illustrative purposes only, as at 31 May 2013, six cases (which did not include guarantees not secured by any collateral) had a loan-to-value ratio (as calculated by dividing the guarantee amount under the guarantee contract by the total asset value of the all registered and unregistered collaterals and/or counter-guarantees provided in respect of loans guaranteed by us based on our Group's internal valuation) larger than 100%. The loan-to-value ratios in respect of such guarantees ranged from approximately 126% to 314% as at 31 May 2013.

Customers

During the Track Record Period, most of our Group's customers were SMEs which included, but are not limited to manufacturers and construction enterprises. We source our customers through our sales and marketing efforts, from referrals from cooperation with banks and financial institutions, and we also have recurring customers as well as referrals from our existing or past customers. The number of customers which contributed to our revenue amounted to 276, 324, 305 and 247 for each of the three years ended 31 December 2012 and the five months ended 31 May 2013, respectively.

Our competitive strengths

We believe that our competitive strengths are that: (i) we have an experienced management team with diversified expertise and a strong workforce; (ii) we have an established management system; (iii) we are recognised by, and has an established long-term cooperative relationship with, various banks, financial and other institutions; (iv) our ability to offer a variety of guarantee services to suit the needs of customers; and (v) the competitive advantage brought about by our proven business track record, market share and registered capital and size of net asset value of our Company's operating PRC subsidiary.

Our business strategies

To expand our market share in the guarantee and financial services industry, our business strategies are to (i) increase our financial capacity and scale of operation; (ii) broaden our product offerings and strengthen relationships with banks and other business partners; and (iii) pursue potential mergers and acquisition opportunities.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

The following tables regarding consolidated statements of profit or loss of our Group for the three years ended 31 December 2012 and the five months ended 31 May 2013 and consolidated statements of financial position of our Group as at 31 December 2010, 2011 and 2012 and 31 May 2013, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

Highlight of consolidated statements of profit or loss and consolidated statements of financial position

	For the year ended 31 December			For the five months ended 31 May	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	35,111	53,528	57,138	22,070	22,071
Profit from operations	33,423	45,814	59,551	22,553	10,142
Profit before taxation	35,273	46,433	61,717	22,266	13,099
Profit for the year/period	25,773	34,505	47,655	18,377	9,679

	As at 31 December			As at
	2010	2011	2012	31 May 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	99,194	132,483	176,867	203,860
Current assets	289,263	280,660	291,983	265,835
Current liabilities	103,807	61,958	43,370	40,437
Net current assets	185,456	218,702	248,613	225,398
Non-current liabilities	49,951	31,981	19,872	8,947
Net assets	234,699	319,204	405,608	420,311

	For the year ended 31 December						For the five months ended 31 May			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Guarantee income										
Financial guarantees	34,352	97.9	40,616	75.9	45,137	79.0	19,164	86.8	18,714	84.8
Litigation guarantees	298	0.8	1,528	2.8	405	0.7	130	0.6	259	1.2
Performance guarantees	461	1.3	378	0.7	602	1.1	228	1.0	267	1.2
	<u>35,111</u>	<u>100.0</u>	<u>42,522</u>	<u>79.4</u>	<u>46,144</u>	<u>80.8</u>	<u>19,522</u>	<u>88.4</u>	<u>19,240</u>	<u>87.2</u>
Income from financial consultancy services	—	—	11,006	20.6	10,994	19.2	2,548	11.6	2,831	12.8
Total	<u><u>35,111</u></u>	<u><u>100.0</u></u>	<u><u>53,528</u></u>	<u><u>100.0</u></u>	<u><u>57,138</u></u>	<u><u>100.0</u></u>	<u><u>22,070</u></u>	<u><u>100.0</u></u>	<u><u>22,071</u></u>	<u><u>100.0</u></u>

Details of the reasons for the fluctuation of the financial results are set out in the section headed "Financial information" in this prospectus.

SUMMARY

Set out below are the selected key line items from the consolidated cash flow statements of our Group during the Track Record Period:

	As at 31 December			For the five months ended 31 May	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Net cash generated from/(used in) operating activities	15,641	(102,298)	39,958	21,963	(3,939)
Net cash generated from/(used in) investing activities	36,578	41,141	(45,025)	(135,751)	(34,295)
Net cash generated from/(used in) financing activities	<u>—</u>	<u>53,919</u>	<u>29,752</u>	<u>(1,000)</u>	<u>(1,364)</u>
Net increase/(decrease) in cash and cash equivalents	<u>52,219</u>	<u>(7,238)</u>	<u>24,685</u>	<u>(114,788)</u>	<u>(39,598)</u>

Our Group's cash inflow from operating activities was primarily generated from financial and non-financial guarantee and financial consultancy services.

Net cash generated from/(used in) operating activities

For the year ended 31 December 2011, net cash used in our Group's operating activities was approximately RMB102.3 million, while our Group's profit before taxation for the same year was approximately RMB46.4 million. The difference was mainly attributable to (i) the increase in pledged bank deposits of approximately RMB36.8 million as a result of the increase in financial guarantee amount during the year; (ii) the decrease in customers' pledged deposits received of approximately RMB63.0 million as a result of refund of deposits on release of financial guarantee obligations during the year; (iii) the implementation of Article 33 of the Implementing Rules which had the impact of reducing the cash flows from the operating activities by approximately RMB40.7 million in the year 2011; (iv) decrease in accruals and other payables of approximately RMB5.6 million; and (v) the PRC income tax paid by approximately RMB14.2 million; but partly offset by (a) the decrease in trade and other receivables as a result of repayment received of approximately RMB4.0 million, and (b) the RMB6.4 million increase in deferred income mainly due to the increase in number of financial guarantee contracts entered into during the year.

For the year ended 31 December 2012, net cash generated from our Group's operating activities was approximately RMB40.0 million, while our Group's profit before taxation for the same year was approximately RMB61.7 million. The difference was mainly attributable to (i) more obvious adjustment for non-cash/non-operating items in aggregate of approximately RMB10.2 million including impairment written back, investment income, share of losses of a joint venture, net gain from disposal of a joint venture, share of profits of an associate, net loss on disposal of equipment and investment property, depreciation and interest income from bank deposits; (ii) increase in trade and other receivables as a result of repayment received of approximately RMB4.4 million; and (iii) the PRC income tax paid by approximately RMB8.4 million.

Net cash generated from/(used in) investing activities

For the year ended 31 December 2011, net cash generated from our Group's investing activities was approximately RMB41.1 million, which was mainly attributable to (i) net repayments of advances from related parties of approximately RMB39.7 million, (ii) the cash proceeds from the disposal of an associate and investment in unlisted securities of approximately RMB4.0 million and RMB1.0 million respectively, and (iii) interest received amounted to approximately RMB1.1 million; but offset by the payment on acquisition of an associate of approximately RMB4.0 million.

SUMMARY

For the year ended 31 December 2012, net cash used in from our Group's investing activities was approximately RMB45.0 million, which was mainly attributable to (i) proceeds from disposal of a joint venture of approximately RMB30.9 million, (ii) dividends received from a joint venture of approximately RMB7.1 million, (iii) net repayment of advances from related parties of approximately RMB3.9 million, (iv) investment income of approximately RMB2.9 million, (v) interest received amounted to approximately RMB2.5 million and (vi) redemption of available-for-sale financial assets of approximately RMB60.0 million; but offset by (a) the payment on acquisition of an associate of approximately RMB37.8 million, and (b) payments for purchase of equipment and property of approximately RMB54.6 million, and (c) payment for purchase of available-for-sale financial assets of approximately RMB60.0 million.

Revenue model

For the guarantees service we provide, the amount of the guarantee is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income and is amortised in profit or loss over the term of the guarantee as guarantee fee income.

For the provision of financial consultancy services, revenue from the rendering of such services is recognised by reference to the stage of completion of the transaction based on the services performed to date as a percentage of the total services to be performed.

Government grants

For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, we received government grants amounting to approximately RMB4.1 million, RMB 8.2 million, RMB10.6 million and RMB0.3 million, respectively. Such government grants were mainly issued with an aim to promote SME development in the PRC and were provided by government authorities, such as Ministry of Industry and Information Technology of the PRC to selected guarantee companies providing guarantee services to SMEs. Our Group expects to receive government grants of a similar nature in the future, based on (i) the PRC government's policies in support of SME development; and (ii) the focus of our Group's guarantee business on SME customers.

Estimated listing expenses

The estimated expenses in relation to the Listing are approximately HK\$50.6 million (based on the Offer Price of HK\$2.30, being the mid-point of the indicative Offer Price range of HK\$1.80 to HK\$2.80 per Offer Share), of which approximately HK\$18.4 million is directly attributable to the issue of Offer Shares and is expected to be accounted for as a deduction from equity. Of the remaining estimated listing expenses of approximately HK\$32.2 million (equivalent to approximately RMB25.5 million) to be charged to our consolidated statements of profit or loss and other comprehensive income, RMB1.2 million and RMB3.3 million have been recognised in the years ended 31 December 2011 and 2012, respectively. The remaining RMB21 million (of which, approximately RMB9.1 million has already been expensed for the five months ended 31 May 2013) is expected to be charged to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2013.

SUMMARY

Key financial ratios

	For the year ended 31 December			For the five months ended
	2010	2011	2012	31 May 2013
	%	%	%	%
Current ratio	278.7	453.0	673.2	657.4
Return on assets	6.6	8.4	10.2	N/A
Return on equity	11.6	12.5	13.2	N/A

Notes:

1. Current ratio equals current assets divided by current liabilities as at the end of the relevant year/period, and multiplied by 100%.
2. Return on assets is derived by profit attributable to equity shareholders of our Company for the relevant year divided by total assets as at the end of the relevant year and multiplied by 100%.
3. Return on equity is divided by profit attributable to equity shareholders of our Company for the relevant year divided by the weighted average balance of total equity as at the beginning and end of the relevant year and multiplied by 100%.

Further details on the reasons for the fluctuation of the above financial ratios are set out in the section headed “Financial information” in this prospectus.

DIVIDEND POLICY

The payment and the amount of dividends will be at the discretion of our Directors and will depend on our Group’s future operations and earnings, capital requirements and surplus, general financial conditions and other factors which our Directors consider to be relevant. Our Group currently does not have a fixed dividend policy. As a part of the continuing evaluation of our Group’s dividend policy, the management considered that for the purpose of business development, the undistributed retained earnings of Success Guarantee amounted to approximately RMB63.0 million as at 31 May 2013 will not be distributed in the foreseeable future.

RECENT DEVELOPMENT

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our financial, operational or trading position or prospects since 31 May 2013, and no event since 31 May 2013 had occurred that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

Since 1 June 2013 and up to 31 August 2013, we (i) provided 42 new financial guarantees and 6 new litigation guarantees, with an aggregate guarantee amount of about RMB262.0 million and RMB158.6 million respectively; and (ii) provided financial consultancy services pursuant to 29 new financial consultancy service contracts. During the same period, we did not have any default case and the actual loss amount was nil.

SUMMARY

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$1.80 per Share	Based on an Offer Price of HK\$2.80 per Share
Market capitalisation of the Shares (<i>Note 1</i>)	HK\$720 million	HK\$1,120 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)	HK\$1.68	HK\$1.93

Notes:

1. The calculation of the market capitalisation of the Shares is based on 400,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options granted or to be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to in Appendix II to this prospectus and on the basis of 400,000,000 Shares in issue at the respective Offer Price of HK\$1.80 and HK\$2.80 per Share immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which granted or to be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$2.30 per Share (being the mid-point of the indicative Offer Price range), our Directors estimate that the net proceeds to us from the Global Offering will be about HK\$179.4 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Global Offering. We intend to use the net proceeds from the Global Offering as follows:

- approximately HK\$107.7 million, representing approximately 60% of the net proceeds from the Global Offering, will be used to expand our financial capability by increasing our net asset value, registered capital and/or paid-up capital;
- approximately HK\$53.8 million, representing approximately 30% of the net proceeds from the Global Offering, will be used to pursue potential merger and acquisition opportunities within the industry to further expand our business and service offerings; and
- approximately HK\$17.9 million, representing approximately 10% of the net proceeds from the Global Offering, will be used for the working capital of our Group.

In the event that the Over-allotment Option is exercised, the additional net proceeds of about HK\$33.5 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by us to the above purpose in the same proportion as set out above.

RISK FACTORS

Our Directors consider that there are risks and uncertainties relating to our business and our industry. Our business is dependent on our reputation, core management team and risk management system. Further, our customer portfolio is concentrated in the Foshan City and the development of our Group is subject to the economic conditions and the regulatory environment of our place of operation. As such, some of the major risks faced by our Group include: (i) failure to maintain our reputation may adversely affect our ability to obtain business referrals or to attract new customers and reduce our cooperation with the various finance providers; (ii) if any member of our core management team departs from us or we fail to retain high-quality personnel in the future, our business and our risk management system may be materially and adversely affected; (iii) limitation in the information available to us in our risk management process and/or the failure to realise collaterals provided to us may adversely affect our business and financial conditions; and (iv) if the economic conditions in

SUMMARY

Foshan City or Guangdong Province deteriorate or changes in regulations or government policies in the PRC impose stricter restrictions on the business we engage in, the demand for our services may be reduced and our business development may be materially and adversely affected. Further details of the risks faced by us are set out in the section headed “Risk factors” in this prospectus.

MAJOR REGULATORY REQUIREMENTS

The major laws and regulations applicable to financial guarantee companies include, among others, the Interim Measures and the Implementing Rules.

Pursuant to the Interim Measures and the Implementing Rules, (i) the outstanding financial guarantee amount provided by a financial guarantee company for a single customer shall not exceed 10% of its net assets; (ii) the aggregate outstanding financial guarantee amount provided by a financial guarantee company shall not exceed 10 times of its net assets; and (iii) financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC. Pursuant to the Implementing Rules, (i) the minimum paid-up registered capital for a financial guarantee company established in, among others, Foshan City should be at least RMB100 million; (ii) a financial guarantee company shall not provide financial guarantees for its affiliates such as its parent and subsidiaries, and its shareholder(s) who hold(s) 5% or more of its shares and its/their affiliates; and (iii) financial guarantee companies shall not conduct any of the following activities: (a) taking deposits; (b) granting loans; (c) granting entrusted loans; and (d) entrusted investments.

NON-COMPLIANCE

During the Track Record Period, Success Guarantee had failed to comply with certain laws and regulations in the PRC. Such non-compliant incidents include, (a) making advances to certain independent third parties and related parties; (b) providing financial guarantees for related companies of certain holders of 5% or more equity interest in Success Guarantee; (c) failure to enter into tripartite custody agreements regarding customers’ pledged deposits or failure to deposit such customers’ pledged deposits received into a segregated bank account; or (d) failure to comply with certain housing provident funds requirements under PRC regulations. Further information of the above non-compliance incidents is set out in the paragraph headed “Non-compliance” in the section headed “Business” in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“2013 Valuation Capability Enhancement”	the enhancement of our capability in valuation of collaterals and counter-guarantees by the engagement of two PRC certified public valuers as our full-time employee and part-time employee in June 2013 and July 2013 respectively and the revision of our internal valuation guidelines in July 2013
“Aggregate Cap Amount”	the maximum aggregate balance of the outstanding financial guarantee amount of a financial guarantee company stipulated under the Interim Measures
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them, to be used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association adopted by our Company pursuant to the written resolutions passed by our Shareholders on 18 October 2013 and effective from the Listing Date
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“AXLE”	株式会社アクスル, a limited liability company formed under the laws of Japan on 13 May 2004, a then equity owner of Success Asset prior to the implementation of the Reorganisation and an Independent Third Party
“Bliss Success”	Bliss Success Investments Limited, a company incorporated in the BVI with limited liability on 11 November 2011 and wholly owned by Mr. Xu
“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday(s), Sunday(s) and public holidays) on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 299,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Further information about our Company — Written resolutions of all the Shareholders passed on 18 October 2013” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China Success Finance Group Holdings Limited (中國集成金融集團控股有限公司), an exempted company incorporated in the Cayman Islands on 12 January 2012 under the Companies Law with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. Zhang, Mr. Xu, Mr. Pang, Expert Depot, Bliss Success and Novel Heritage
“Daihing”	Daihing Industrial Trading Development Company Limited (大興工貿發展有限公司), a limited liability company incorporated in Hong Kong on 30 April 2004 and a then trustee holding 13.81% equity interests in Success Asset on trust for Mr. Zhang prior to its disposal of its interests in Success Asset pursuant to the Reorganisation
“Deed of Indemnity”	the deed of indemnity dated 18 October 2013 and entered into between our Controlling Shareholders and our Company, particulars of which are set out in the section headed “Other information — Estate duty and tax indemnity” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 18 October 2013 entered into by our Controlling Shareholders in favour of our Company (for itself and for the benefit of its subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us
“Director(s)”	director(s) of our Company
“Double Chance”	Double Chance Developments Limited, a company incorporated in the BVI on 8 February 2012 and a wholly-owned subsidiary of our Company
“Eagle Scheme”	the Eagle Scheme (雄鷹計劃), a cooperative programme organised by the local government of Nanhai District of Foshan City for the purpose of assisting SMEs in obtaining financing
“Electronic Application Instruction(s)”	instructions given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Expert Depot”	Expert Depot Limited, a company incorporated in the BVI with limited liability on 1 November 2011 and wholly owned by Mr. Zhang
“Flying Dragon Scheme”	the Flying Dragon Scheme (龍騰計劃), a cooperative programme organised by the local government of Shunde District of Foshan City for the purpose of assisting SMEs in obtaining financing
“Foshan Finance”	佛山市集成金融集團有限公司 (Foshan Success Finance Group Company Limited*), a limited liability company established under the laws of the PRC on 8 September 2010, which is owned as to 51% by Mr. Zhang, 25% by Mr. Xu and 24% by Mr. Pang
“Foshan Financial Bureau”	the Financial Services Bureau of the People’s Government of Foshan (佛山市人民政府金融工作局)
“Foshan Gaofeng”	佛山市高豐有限公司 (Foshan Gao Feng Company Limited*), a limited liability company established under the laws of the PRC on 31 May 1996, which was an Independent Third Party
“Foshan Ruiqi”	佛山市瑞祺貿易有限公司 (Foshan Ruiqi Trading Company Limited*), a limited liability company established under the laws of the PRC on 1 June 2000, which was an Independent Third Party

DEFINITIONS

“Foshan SME Bills”	the Foshan SME Collective Bills (佛山市中小企業集合票據) issued by seven SMEs in Foshan City and underwritten by a policy bank in the PRC
“Foshan Trust Fund”	Guangdong Foshan SMEs Development Trust Fund (金谷向日葵1號—廣東佛山中小企業發展信託基金)
“Foshan Xinhai”	佛山市石灣區新海發展公司 (Foshan Shiwan District Xinhai Development Company*), a collective ownership enterprise established under the laws of PRC on 9 November 1994, which was a then equity owner of Success Guarantee
“Foshan Zhongrui”	佛山市中瑞諮詢服務有限公司 (Foshan Zhongrui Consultancy Services Company Limited*), a limited liability company established under the laws of the PRC on 31 December 1996, which was owned as to 51% by Mr. Zhang, 25% by Mr. Xu and 24% by Mr. Pang immediately before its deregistration on 16 July 2003
“GDP”	gross domestic product
“General Rules on Credit”	the General Rules on Credit (貸款通則)
“Global Offering”	the Public Offer and the International Placing
“Green application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider designated by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Guangdong Financial Office”	the Financial Work Office of the People’s Government of Guangdong Province (廣東省人民政府金融工作辦公室)
“Guangdong Jiayou”	廣東嘉友電器有限公司 (Guangdong Jiayou Electric Company Limited*), a limited liability company established under the laws of the PRC on 17 October 1994, which is owned as to 35% by Success Holdings, 33.15% by Mr. Zhang, 16.25% by Mr. Xu, and 15.6% by Mr. Pang
“Guarantee Law”	中華人民共和國擔保法 (Guarantee Law of the PRC*) promulgated by the Standing Committee of the National People’s Congress of the PRC on 30 June 1995

DEFINITIONS

“HK\$”, “Hong Kong dollar(s)” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Companies Ordinance
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“IBF”	IBF株式會社 (IBF Company Limited*), a limited liability company formed under the laws of Japan on 19 September 1981, a then equity owner of Success Asset prior to the implementation of the Reorganisation and an Independent Third Party
“Implementing Rules”	廣東省融資性擔保公司管理暫行辦法實施細則 (Implementing Rules for the Administration of Financial Guarantee Companies*) promulgated by the People’s Government of the Guangdong Province on 27 September 2010
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Insider Solution”	Insider Solution Limited, a company incorporated in the BVI with limited liability on 16 November 2011 and wholly owned by Mr. Chen

DEFINITIONS

“Interim Measures”	融資性擔保公司管理暫行辦法 (Interim Measures for the Administration of Financial Guarantee Companies*) promulgated by the China Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People’s Bank of China and the State Administration for Industry and Commerce on 8 March 2010
“International Placing”	the conditional placing of the International Placing Shares by the International Placing Underwriters on behalf of our Company for cash at the Offer Price with professional, institutional and private investors as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 90,000,000 Offer Shares initially being offered for subscription under the International Placing subject to re-allocation as described in the section headed “Structure and conditions of the Global Offering” in this prospectus together with any additional Shares which may be issued by our Company upon the exercise of the Over-allotment Option
“International Placing Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Placing Underwriting Agreement to underwrite the International Placing
“International Placing Underwriting Agreement”	the conditional underwriting agreement relating to the International Placing to be entered into between our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Joint Global Coordinators and the International Placing Underwriters on or about the Price Determination Date
“Ipsos”	Ipsos Hong Kong Ltd, the industry expert engaged by our Company to prepare the Ipsos Research Report
“Ipsos Research Report”	an industry report prepared by Ipsos which was commissioned by us in relation to, among other things, the financial guarantee and financial consultancy services industries in the PRC

DEFINITIONS

“Joint Global Coordinators”, “Joint Lead Managers” or “Joint Bookrunners”	RaffAello Securities (HK) Limited, being a licensed corporation under SFO to carry on type 1 (dealing in securities) regulated activity, and First Shanghai Securities Limited, being a licensed corporation under SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, together the joint global coordinators, the joint lead managers and the joint bookrunners to the Global Offering
“Joint Sponsors”	RaffAello Capital Limited and First Shanghai Capital Limited, each being a licensed corporation under SFO to carry on type 6 (advising on corporate finance) regulated activities
“Latest Practicable Date”	22 October 2013, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which the trading of the Shares on Main Board commences, which is currently expected to be 13 November 2013
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market operated by the Stock Exchange, which excludes Growth Enterprise Market of the Stock Exchange and the options market
“Measures for SME Credit Guarantee Funds”	the Administrative Measures on Credit Guarantee Funds for SMEs (中小企業信用擔保資金管理辦法)
“Memorandum” or “Memorandum of Association”	the memorandum of association adopted by our Company pursuant to the written resolutions passed by our Shareholders on 18 October 2013 and effective from the Listing Date
“Mr. Chen”	Mr. Chen Guoxian (陳國顯)
“Mr. He”	Mr. He Darong (何達榮), our non-executive Director
“Mr. Ngan”	Mr. Ngan Kwok Kuen (顏國權)
“Mr. Pang”	Mr. Pang Haoquan (龐浩泉), our non-executive Director

DEFINITIONS

“Mr. Xu”	Mr. Xu Kaiying (徐凱英), our non-executive Director
“Mr. Zhang”	Mr. Zhang Tiewei (張鐵偉), the chairman of our Group and our executive Director
“New Maestro”	New Maestro Investments Limited, a company incorporated in the BVI with limited liability on 2 November 2011 and wholly owned by Mr. He
“Notice on Guarantee Deposits”	Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions* (關於規範融資性擔保機構客戶擔保保證金管理的通知), issued by the Joint Committee for the Regulation of the Financial Guarantee Industry* (融資性擔保業務監管部際聯席會議) on 15 April 2012
“Novel Heritage”	Novel Heritage Limited, a company incorporated in the BVI with limited liability on 16 November 2011 and wholly owned by Mr. Pang
“Offer Price”	the final price for each Offer Share (exclusive of brokerage fee, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$2.80 per Offer Share and is expected to be not less than HK\$1.80 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
“Offer Shares”	the Public Offer Shares and the International Placing Shares
“Opinions on SME Guarantee System”	Opinions on Strengthening Development of Credit Guarantee System for Small and Medium Enterprises (關於加強中小企業信用擔保體系建設的意見)
“Over-allotment Option”	the option granted by our Company to the International Placing Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Placing Underwriters), to require our Company to allot and issue Over-allotment Shares at the Offer Price to cover over-allocations in the International Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement
“Over-allotment Shares”	up to an aggregate of 15,000,000 new Shares to be issued pursuant to the exercise of the Over-allotment Option, representing 15% of the number of Shares initially available under the Global Offering

DEFINITIONS

“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of PRC
“PBOC Rate(s)”	the exchange rate for foreign exchange transactions set daily by PBOC based on the China inter-bank foreign exchange market rate of the previous day and with reference to current exchange rates on the world financial markets
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“PRC government”	the government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
“PRC Legal Advisers”	Commerce & Finance Law Offices, legal advisers to our Company as to PRC law
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (on behalf of the Underwriters) at or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before 5 November 2013, on which the Offer Price is expected to be fixed for the purposes of the Global Offering and in any event no later than 6:00 p.m. (Hong Kong time) on 8 November 2013
“Property Law”	中華人民共和國物權法 (Property Law of the PRC*) promulgated by the National People’s Congress on 16 March 2007 and came into effect on 1 October 2007
“Public Offer”	the conditional offer of the Public Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the related Application Forms
“Public Offer Shares”	the 10,000,000 Offer Shares initially offered for subscription under the Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“Public Offer Underwriters”	the underwriters listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus, being the underwriters of the Public Offer

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer dated 30 October 2013 and entered into between our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Joint Global Coordinators and the Public Offer Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“Re-guarantee Company”	a state-owned provincial re-guarantee company in Guangdong Province with which we entered into a cooperation agreement in 2009
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described under the section headed “Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Schemes”	the pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) and post-IPO share option scheme (“Post-IPO Share Option Scheme”) both conditionally adopted by our Company on 18 October 2013, the principal terms of which are set out in the sections headed “Pre-IPO Share Option Scheme” and “Post-IPO Share Option Scheme”, respectively in Appendix IV to this prospectus
“Shunde Zhongcheng”	佛山市順德眾成聯合投資管理有限公司 (Foshan Shunde Zhongcheng Joint Investments Management Company Limited*), a limited liability company established under the laws of the PRC on 31 August 2012, which is owned as to 38.25% by Mr. Zhang, 20% by Mr. He, 18.75% by Mr. Xu, 18% by Mr. Pang, and 5% by Mr. Chen

DEFINITIONS

“SME(s)”	small and medium enterprise(s) pursuant to 中小企業劃型標準規定 (the Regulations on the Standards for the Classification of Small and Medium-sized Enterprises*) promulgated by the Ministry of Industry and Information Technology, the National Bureau of Statistics, the National Development and Reform Commission and the Ministry of Finance on 18 June 2011
“sq.m.”	square metres
“Stabilising Manager”	First Shanghai Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Expert Depot and the Stabilising Manager on or around the Price Determination Date, pursuant to which the Stabilising Manager may borrow up to 15,000,000 Shares from Expert Depot to cover any over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Success Asset”	佛山市集成資產管理有限公司 (Foshan Success Asset Management Company Limited*) (formerly known as 佛山市順德銀河電動車有限公司 (Foshan Shunde Yinhe Electric Car Company Limited*)), a limited liability company established under the laws of the PRC on 23 June 2004 and owned as to 99% by Success Finance and 1% by Shunde Zhongcheng
“Success Credit”	佛山市禪城集成小額貸款有限公司 (Foshan Chancheng Success Micro Credit Company Limited*), a limited liability company established under the laws of the PRC on 17 November 2009, an associate of our Group which is owned as to 18.18% by Success Guarantee, 9.09% by Mr. He and the remaining 72.73% by eight Independent Third Parties
“Success Finance”	中國集成金融控股有限公司 (China Success Finance Holdings Limited) (formerly known as 金財有限公司 (Gold Money Limited)), a limited liability company incorporated in Hong Kong on 18 November 2011 and a wholly-owned subsidiary of Double Chance

DEFINITIONS

“Success Futures”	集成期貨有限公司 (Success Futures Company Limited*), a limited liability company established under the laws of the PRC on 10 April 1996. Success Guarantee owned 51% equity interests in Success Futures prior to its disposal to Foshan Finance on 26 October 2012 as part of the Reorganisation
“Success Guarantee”	廣東集成融資擔保有限公司 (Guangdong Success Finance Guarantee Company Limited*), a limited liability company established under the laws of the PRC on 26 December 1996, a wholly-owned subsidiary of Success Asset and our principal operating subsidiary
“Success Holdings”	集成投資控股有限公司 (Success Investment Holdings Company Limited*), a limited liability company established under the laws of the PRC on 18 January 2005 whose equity interests are owned as to 51% by Mr. Zhang, 25% by Mr. Xu and 24% by Mr. Pang
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“Track Record Period”	the three financial years ended 31 December 2012 and the five months ended 31 May 2013
“Underwriters”	the International Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the International Placing Underwriting Agreement
“US” or “United States”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the US
“U.S. Securities Act”	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ White Form eIPO ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Yinhe Motor”	廣東銀河摩托車集團有限公司 (Guangdong Yinhe Motor-cycle Group Company Limited*) a limited liability company established under the laws of the PRC on 24 October 2000 and a then equity owner of each of Success Asset and Success Credit, which is owned as to 23.18% by Guangdong Jiayou and 76.82% by Success Holdings
“%”	per cent

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

US\$1:HK\$7.7531

RMB0.7915:HK\$1

No representation is made that any amounts in US\$, RMB or HK\$ were or could have been converted at the above rates or at any other rates or at all.

For ease of reference, the names of certain PRC laws and regulations or PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The English names of these laws, regulations, companies and entities (including those marked with “”) are only English translation of their respective official Chinese names. In the event of any inconsistency, the Chinese version shall prevail.*

** for identification purposes only*

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state our Group's intention, belief, expectation or prediction for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- the industry regulatory environment as well as the industry outlook in general;
- the amount and nature of, and potential for, future development of our Group's business;
- our Group's business objectives and strategies;
- our Group's capital expenditure plans;
- our Group's operations and business prospects; and
- our Group's future plans.

The words "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. All statements (other than statements of historical facts included in this prospectus), including statements regarding our Group's strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect our current view with respect to future events, but they are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risks factors as disclosed under the section headed "Risk factors" and elsewhere in this prospectus. One or more of these risks or uncertainties may materialise, or the underlying assumptions may prove to be incorrect. Although our Directors believe that our current views as reflected in those forward-looking statements based on currently available information are reasonable, we can give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of the Listing Rules or the applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR GROUP'S BUSINESS

Our Group provides financial and non-financial guarantee services to our customers and guarantees the repayment of loans or performance by our customers of their obligations and our Group will be liable under the guarantees given by us if our customers default; and the counter-guarantees obtained from our customers may not be sufficient to cover our corresponding exposure under the guarantees given by us

Our Group provides financial and non-financial guarantee services to our customers and we guarantee the repayment of loans granted to our customers or, in the case of performance guarantee, the performance by our customers of their contractual obligations or, in the case of litigation guarantee, the losses suffered by litigating counter-party as a result of our customers' inappropriate application for property preservation against such litigating counter-party. In the case of banks, we are required to provide cash deposits for the loans granted by such banks to our customers, from which the banks may recover default loan payments by our customers. In order to protect our Group's interest, we will require our customers, their owner(s) and/or any third parties to provide counter-guarantees to us to secure our obligations under the guarantees given by us, and such counter-guarantees may include (a) charges over fixed assets such as properties, vehicles and machineries; (b) charges over movable and intangible assets such as income rights, account receivables, inventories and land use rights; and/or (c) guarantee(s) from the owners or directors of the customer and their spouse or other third parties. Such counter-guarantees would be discharged after our obligations under the guarantees given by us are discharged.

As at 31 December 2010, 2011 and 2012 and 31 May 2013, the amounts of our Group's exposure under financial and non-financial guarantees provided by our Group were approximately RMB1,066.5 million, RMB1,544.5 million, RMB1,483.5 million and RMB1,539.1 million respectively, while our Group had outstanding provision balance for guarantee losses in the amount of RMB6.3 million, RMB8.2 million, RMB6.9 million and RMB7.2 million respectively. Our Group's exposure with respect to guarantee services provided to customers varies on a case-by-case basis, and depends on factors such as, among others, the credibility of customers, the principal amount of guarantee obligation, duration of the guarantee period, and the counter-guarantees provided by our customers to us.

RISK FACTORS

If our customers default on a loan or fail to perform their contractual obligations, we would have to pay to the bank or the contractual counter-party in question the amount guaranteed by us under the relevant guarantees given by us; or in the case of litigation preservation, if the litigating counter-party should have suffered loss as a result of the freezing of such counter-party's property by the court as a result of our customer's inappropriate application for property preservation against it, we would have to compensate such litigating counter-party for such losses in accordance with the guarantee given by us to the relevant court. When we are called upon to make payment under the guarantees given by us, we would in turn recover such liabilities from liquidating the collaterals provided to us or from funds obtained from guarantors, under the counter-guarantees given to us by the relevant customers.

It is possible that collaterals provided to us under the counter-guarantee(s) cannot be realised, or cannot be realised in time, or cannot be realised at prices that are equal to or above the amount of our liability under the guarantees given by us or the relevant guarantor(s) may fail to perform his/her/its obligations under the counter-guarantee(s) provided to us. As advised by our PRC Legal Advisers, for collaterals provided to us including machineries, inventories and vehicles, we will be entitled to the collateral right to the collateral from the date when the relevant counter-guarantee agreement is signed but such right is not enforceable against a bona fide third party until it is properly registered. Moreover, as advised by our PRC Legal Advisers, with regard to interests in collaterals other than those listed above, such as land and property, account receivables, etc., provided to us which are not registered in our favour under the PRC laws and regulations, we will only be entitled to our contractual rights to such collaterals under the counter-guarantee agreements. In the event of liquidation of our customers, we will not be able to claim priority on such collaterals over the other creditors of our customer and we may not be able to recover the full value of those collaterals under the counter-guarantees or at all. In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in China may be protracted or ultimately unsuccessful, and the enforcement process in China may be difficult for legal and practical reasons in accordance with the Guarantee Law, the Property Law and other relevant laws and regulations.

As at 31 May 2013, the value of the unregistered collaterals and/or counter-guarantees provided in respect of obligations guaranteed by us amounted to approximately RMB3,464.3 million, representing approximately 63.7% of the total value (which is internally verifiable by our internal record and documentation) of the collaterals and/or counter-guarantees provided in respect of obligations guaranteed by us outstanding as of 31 May 2013. Where the collaterals provided in respect of obligations guaranteed by us are charged and registered exclusively in favour of third parties such as the lending institutions and, in the event of default, we are required to indemnify the lending institution for the default amount, it is possible that the lending institution decides not to transfer its rights to the collaterals to us, thereby preventing us from realising the value of such collaterals. As at 31 May 2013, the value of collaterals registered exclusively in favour of third parties amounted to approximately RMB485.1 million. In cases where collaterals which had been charged to certain banks were subsequently charged to us, the mortgagee bank and Success Guarantee were registered as the first and the second beneficiary of the collateral respectively, such that proceeds from the realisation of the collateral shall be applied to the settlement of liabilities owed to the beneficiaries according to the sequence of their registration. Accordingly, the mortgagee bank enjoys priority over our interest in such collaterals and thus proceeds from the realisation of the collaterals will be repaid to the mortgagee bank before they can be applied to the settlement of our payment to the relevant lending

RISK FACTORS

bank in cases where our customers default on the loan. The total asset value of the collaterals and/or counter-guarantees not registered in favour of our Group exclusively which were subject to guarantees outstanding as at 31 May 2013 amounted to approximately RMB6.8 million, representing approximately 0.4% of our Group's outstanding guarantee amount as at 31 May 2013.

Further, we may not have physical control over those collaterals under the counter-guarantee(s) given in our favour which are kept at our customers' premises. Even if our Group makes regular and spontaneous visits to inspect such collaterals for risk control and on-going monitoring purposes, we may not take possession of such collaterals since it is necessary for our customers to make use of such collaterals to generate income to repay their loan (as is the case, for example, with raw materials, equipment or inventory). If such collaterals are stolen, destroyed or damaged by any reasons other than the faults of our customers and our customers do not maintain adequate insurance over such collaterals, the value of such collaterals would be adversely affected and we may not recover the liabilities we have taken up under the guarantees given by us (in case our customer defaults its obligations) in full or at all. There may also be a risk that the actual value of such collaterals will be reduced through our customer's failure to provide necessary upkeep or maintenance. Although we are entitled to require our customers or their owners to provide additional counter-guarantee(s), and depending on the types of additional counter-guarantee(s), there is no assurance that we can always obtain suitable additional counter-guarantee(s) or we may fail to realise or liquidate the full value of such additional counter-guarantee(s) securing the loans in a timely manner.

There can be no assurance that our Group can be fully secured by, or realise in a timely manner, the collaterals under the relevant counter-guarantees. Our Group's guarantee service business is therefore subject to liquidity risk and if our customers default and the amount recovered from the counter-guarantee(s) provided to us is not sufficient to cover our liabilities under the guarantee(s) given by us, or if the actual amount to be paid by our Group under the guarantees given by us shall exceed the total value of collaterals provided to us in respect of the relevant guarantee, our financial condition, liquidity and results of operations would be adversely affected.

Our current risk management system may not adequately protect us against credit risk, liquidity risk, financial market risk or other risks

Our risk management capabilities are limited by the information, resources or tools available to us. For example, our assessment of the risks associated with a particular customer may not be based on complete, accurate or reliable information, there may be risks which are not identified by us and we may fail to estimate and/or quantify the risk appetite of our Group under the relevant economic condition in the PRC. We may not be able to accurately estimate the repayment ability of our customers or the guarantors under the counter-guarantees or the market value and the liquidity of collaterals provided to us under the counter-guarantees. A sudden change in the economic condition of the PRC or the happening of any financial crisis may also make the results of our initial risk assessment redundant or the counter-guarantees obtained by us inadequate. As such, we may not be able to devise an adequate plan to manage and/or transfer the risks associated with the guarantee services we provide. The service fee charged on our customers or the value of the counter-guarantees provided to us may not be sufficient to cover our risk exposure. Furthermore, many aspects of our risk management system involve detailed quantitative and qualitative analyses by our staff and therefore such system is also subject to human error. Our risk management capabilities are further limited by our internal resources. For example, we may not have sufficient specialised risk management staff or

RISK FACTORS

our current risk management staff may not have sufficient expertise in evaluating all probable risks that our Group may come across from time to time. If our risk management system is not adequate in protecting us against credit and liquidity risks, our business, financial condition and results of operations may be materially and adversely affected.

Our Group may not be able to obtain adequate financial resources to provide cash deposits as guarantees to finance providers and to maintain an adequate level of net assets to provide financial guarantees of a larger scale, which may impact our operations and expansion

In respect of the provision of financial guarantee services, banks and/or other financial institutions typically would require us to maintain a cash deposit with them to guarantee our obligations under the guarantees to be given by us in respect of the loans granted by the banks and/or other financial institutions to our customers. Our ability to provide such deposits to banks and/or other financial institutions will depend on the availability of adequate financial resources. Up to the Latest Practicable Date, we have financed our operations through internal resources and we have been able to fulfill the requirements of banks to provide cash deposits with them.

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group's cash and bank deposits amounted to approximately RMB133.1 million, RMB166.6 million, RMB163.2 million and RMB114.6 million (including respective customer pledged deposits of approximately RMB40.7 million, RMB12.6 million and RMB3.7 million as at 31 December 2011 and 2012 and 31 May 2013) respectively. As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group has placed approximately RMB154.2 million, RMB191.0 million, RMB186.1 million and RMB205.9 million respectively as pledged deposits with banks and/or other financial institutions pursuant to our cooperation agreements with them for the purpose of guaranteeing our obligations under the guarantees given by us in respect of our customers' loans. If our Group is unable to maintain an adequate level of cash and bank deposits holding or obtain adequate financial resources to provide cash deposits as guarantees to banks, our cooperation with banks and/or other financial institutions will be adversely affected and which, in turn, will adversely affect our Group's operation and liquidity.

Further, the size of guarantee which we may provide depends on the amount of our net assets. The Interim Measures stipulate that the outstanding financial guarantee amount provided by a financial guarantee company for a single customer shall not exceed 10% of its net assets and the total outstanding financial guarantee amount provided by such company shall not exceed 10 times of its net assets. Our cooperation agreements with our cooperating banks also impose such maximum outstanding financial guarantee amount with reference to the amount of our net assets. As at 31 December 2010, 2011 and 2012 and 31 May 2013, Success Guarantee's net assets amounted to approximately RMB250.8 million, RMB340.1 million, RMB346.6 million and RMB366.3 million respectively. The net asset amounts as at 31 December 2010, 2011 and 2012 were extracted from the statutory audited financial statements of Success Guarantee while the amount as at 31 May 2013 was extracted from the unaudited PRC management accounts, which were prepared in accordance with relevant PRC accounting standards, relevant laws and regulations in the PRC. If Success Guarantee is not able to maintain an adequate level of net assets, the scale of financial guarantee business that we may provide will be limited and our Group's operation will be adversely affected.

RISK FACTORS

Failure to maintain our reputation and brand name could materially and adversely affect our business

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to obtain business from referrals as well as to attract new customers. During the Track Record Period, a large portion of our new guarantee services provided by us during the year/period were referred to us by our past or existing customers or by banks or other financial institutions. We believe the building up and enhancement of our reputation and brand name depend largely on, among others, our creditability among finance providers and other players in the financial services industry which has been developed over the years of our business operations and our ability to provide diversified services to meet the requirements of our customers and their counter-parties and our Group's participation in cooperative programmes with local governments in the PRC. In particular, under certain cooperative programmes such as the Eagle Scheme and the Flying Dragon Scheme, the relevant government body would, in cooperation with selected banks and financial guarantee companies, provide assistance to SMEs in obtaining financing for their business development and subsidise the participating financial guarantee companies which provide guarantee services to the SME scheme participants. We believe such cooperative programmes also enhance our reputation among SMEs in the PRC. If we fail to maintain our reputation or our customers or their counter-parties no longer perceive our services to be of high quality or if they should no longer perceive us as a guarantee company with high creditability for whatever reason, our reputation and brand name could be adversely affected and which, in turn, could affect our ability to maintain existing or capture future business opportunities. There is also no assurance that our past or existing customers or banks or financial institutions with whom we have business relationships with will continue to work with us or to refer new or potential customers to us. In the event our existing or past customers or banks or financial institutions with whom we have business relationships cease to work with us or stops referring new or potential customers to us or substantially reduce their referrals to us, our Group's business, financial condition and results of operations would be adversely affected.

Our Group is reliant on cooperation with various finance providers for the operation of our business

During the Track Record Period, we had business relationship with 20 financial institutions to facilitate the financing of SMEs and as at 31 May 2013, our Group had effective cooperation agreements for business cooperation with 15 financial institutions (which include 12 banks). We generally provide financial guarantee services to our customers based on such cooperation agreements, which may stipulate different terms governing the guarantees to be given by our Group, such as imposing a maximum as to the outstanding guarantee amount for our financial guarantee services to customers, the financial obligations to a single customer or the guarantee amount per transaction. In the event that the terms of any of these cooperation agreements are varied to reduce the maximum outstanding guarantee amount for our financial guarantee services to customers or reduce the maximum obligations of us to a single customer or include more stringent requirements, or that our cooperation with any of our cooperating financial institutions terminates, the business and results of operations of our Group may be adversely affected. Further, in 2012, certain major financial guarantee companies in Guangdong Province were reported to have misappropriated the deposits pledged by their customers and/or other funds from them for investment purposes and provided bridging loans for companies in breach of the Interim Measures. It was reported that such companies became financially distressed as a result of the loss on such investments and the failure to recover the bridging loans due to the tightened credit policy of banks in the PRC. Following such incidents, some

RISK FACTORS

of the finance providers in the PRC may not be willing to cooperate with privately controlled guarantee companies as compared with government-funded or government-controlled guarantee companies, or they may be more selective or cautious in cooperating with privately-controlled guarantee companies. Further details of the implications of such incidents on our Group's business operations are set out in the section headed "Industry overview — Analysis of financial guarantee service industry — Future trends and developments" in this prospectus. Should the finance providers cease to cooperate with us or reduce their business cooperation with us, our Group's business and results of operations would be adversely affected.

Our Group's financial performance may fluctuate from period to period and the fluctuations may make it difficult to predict our future performance

Our Group's financial performance fluctuates with our business volume. For our guarantee and financial consultancy service, the level of revenue that we can achieve is subject to fluctuations and is dependent on, among others, the business and performance of our customers and the overall economic condition of the PRC. Accordingly, our Group is susceptible to revenue volatility between financial periods.

As we derive substantially all of our revenue from guarantee fees and financial consultancy fees, our Group's financial performance is affected by the market conditions of the vastly diverse industries in which our customers operate and the overall economic conditions of the PRC, which are external factors beyond our Group's control. In the event that our Group is not able to continually and consistently secure new guarantee or financial consultancy contracts from customers, our future financial performance will be adversely affected.

There is no assurance that the demand for financial guarantee services will continue to grow; and as our financial and non-financial guarantee services and financial consultancy services are provided to SMEs in the PRC, mainly in Foshan City, our performance is heavily dependent on the performance of SMEs, particularly those in Foshan City

The rapid growth of the economy of the PRC in recent years has triggered a surge in the number of new SMEs and the escalation of their respective businesses in general. Despite the growth of SMEs and the growing demand for funding from these SMEs in recent years, there can be no assurance that the demand for financial guarantee services from SMEs will continue to grow. Any adverse development in national or local economic condition may affect the businesses or funding demands of SMEs which, in turn, may reduce the demand or depress the amount of fees our Group charges for our services and would have a material adverse effect on our Group's results of operations and financial condition.

Our Group's financial and non-financial guarantee services and financial consultancy services are provided to SMEs and their shareholders for the benefit of SMEs in the PRC, mainly in Foshan City, the Guangdong Province and our customer portfolio is concentrated in Foshan City. For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the total revenue generated from customers established in Foshan City amounted to approximately RMB33.0 million, RMB50.0 million, RMB53.3 million and RMB19.9 million, representing approximately 94%, 93.4%, 93.3% and 90.1% of our total revenue respectively. Hence, our business and prospects are particularly dependent on the performance of SMEs in Foshan City which operate in a multitude of different industries. If the economy of the Guangdong Province, in particular Foshan City, significantly

RISK FACTORS

deteriorates, performance of SMEs in such area will be adversely affected which, in turn, could have an adverse effect on our business. If there is any downturn in the industries of any of our Group's customers or potential customers in the PRC generally or in Foshan City, our Group's business, financial condition and results of operations could also be adversely affected.

Our Group currently operates our business mainly in Foshan City. There is no assurance that our Group will continue to be successful in sourcing or developing new customers or in expanding our business to other places in the Guangdong Province

For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, our Group had 276, 324, 305 and 247 customers respectively. For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, revenue from our five largest customers accounted for approximately 13.8%, 11.6%, 14.2% and 14.0% respectively, of our Group's total revenue, while the largest customer accounted for approximately 6.1%, 4.3%, 4.4% and 6.8% respectively of our total revenue for the same year/period. However, there can be no assurance that the number of our customers will continue to grow in the future. If we are not able to retain our existing customers or unable to attract new customers, the business, financial condition and results of operations of our Group may be materially and adversely affected.

As at the Latest Practicable Date, our business is concentrated geographically in Foshan City. It is our intention to expand our businesses to other places in the Guangdong Province such as Guangzhou, Dongguan and Zhongshan, but there is no assurance that we can successfully expand our business in such places or that we will be able to attain the same level of success in such future endeavours. If we are not able to implement our expansion plans effectively, our competitiveness may be adversely affected.

We may be not be able to keep up with changes in the market needs in our industry and may not be able to expand our guarantee business

A significant factor of our competitiveness in the markets of guarantee services is our ability to develop our services so that we are able to continuously tailor our services to meet the needs of our customers and their counter-parties. Due to the changes in the global economy, the national economy in the PRC or the local economy in Guangdong Province, the changes in the business environment of the SMEs in the PRC and the development of different financial products, there may be changes in the market needs for guarantee services in terms of, among others, the type of services and the scale of guarantee. We cannot assure that we will be able to obtain sufficient financial and human resources to develop our business in view of such changes. The scale and expertise of our management team may not be able to meet such market needs and we may not be able to attract suitable personnel for the development of our business. In addition, our risk management system may not keep up with changes in the business requirements of our cooperating institutions and customers. Further, there is no assurance that our new services will be well accepted by the market, or such services can be developed and put into the market in a timely manner or at all. In the event that we are not able to develop new services that meet the needs of our customers or their counter-parties or that our competitors have developed new service offerings that are more acceptable by the market than ours, our business, financial condition and results of operations may be materially and adversely affected.

Our Group's continued success is dependent on our core management team

Our performance and success is, to a significant extent, attributable to contributions of our core management team, all of them have extensive experience in the financial service fields, and each of

RISK FACTORS

them has relevant expertise and experience in the key functions of our business operations in which they oversee, namely risk management, legal, compliance and internal control and sales and marketing. In particular, Mr. Li Bin, our executive Director and the chief executive officer of our Group, has over 12 years of experience in the banking industry, with over seven years of experience in the guarantee industry in the PRC further to his banking experience. Ms. Dai Jing, the senior vice general manager of Success Guarantee, has over 12 years of experience in the banking industry, with over six years of experience in the guarantee business further to her banking experience. The effectiveness of our risk management system is also dependent on the expertise and experience of members of our risk control department, which, as at the Latest Practicable Date, comprised our risk control director, who has more than 18 years of experience in the banking industry, with over four years of experience in the guarantee industry as part of the management team further to his banking experience; and four risk control managers, three of whom have approximately one to five year(s) of experience in the financial industry, and one being a PRC certified public valuer with over 15 years of valuation experience in the PRC. The head of our independent compliance department, which was established in September 2013, has more than 10 years of experience in the banking industry, with over three years of experience in the guarantee industry further to her banking experience.

Competition for senior management and key personnel in our industry is intense and the pool of qualified candidates is limited. There is no assurance that we can retain the services of our Directors and members of our core management team or attract and retain high-quality personnel in the future. If any of these persons departs from us, and we are not able to hire a suitable replacement on a timely basis, our business, operations and financial condition may be materially and adversely affected.

Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties

Our Group may be exposed to fraud or other misconduct committed by our employees, customers or other third parties that could subject our Group to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. Our Directors confirmed that as at the Latest Practicable Date, no such fraud or other misconduct has been committed by our employees, customers or third parties that had an adverse effect on our Group's business reputation, financial condition and results of operations nor were any sanctions being imposed by governmental authorities. There is no assurance that our Group will be able to identify non-compliance and/or suspicious transactions in a timely manner or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions taken by our Group to prevent and detect such activities may not be effective. As such, there is always a risk that fraud and other misconduct may occur and that negative publicity, government sanctions and/or financial losses may result when any such event should happen which, in turn, may have an adverse effect on the business reputation, financial condition and results of operations of our Group.

Our financial consultancy services commenced in 2011 and we may not be able to grow our financial consultancy services successfully

We commenced the provision of financial consultancy services in 2011 and have since then experienced rapid growth. Due to the limited operating history of our financial consultancy services, there may not be an adequate basis for evaluating our future operating results and prospects for this aspect of our business based on the short historical financial performance. Moreover, we cannot assure you that we are able to continue to develop such business successfully. The rate of its future growth

RISK FACTORS

may not continue at the same level as the growth we have experienced in the past. Should the past results of our financial consultancy services may not be indicative of its results in the future, investors may have difficulties evaluating the prospects and future performance of this aspect of our business.

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

Our principal business is the provision of guarantee and financial consultancy services. We will continue to expand our range of services to our customers with the aim to become an integrated financial service provider and to assist SMEs in their fund raising, for example, we will continue to design different service offerings such as guarantee services for trust products, bills and insurance products to cater for the requirements of our customers and their counter-parties. Our expansion of our range of services may expose us to new and potentially increasingly challenging risks, including, among others:

- we may have insufficient experience or expertise in certain new services, which may, among other things, lead to inadequate assessment of all risks associated with our services;
- we may need to hire additional qualified and experienced personnel but be unable to do so;
- our existing personnel may need to leave their current roles in order to undergo further training and gain any relevant requisite qualifications;
- we may face a new competitive landscape and we may need to cultivate business relationships with different business partners such as trust companies and other financial institutions which we may not have a past working relationship with; and
- we may be unable to obtain or maintain regulatory approval for our new services.

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

Our Group does not have insurance to cover potential losses and claims arising from certain events

Although we may require our customers to take out insurances for assets pledged to us under the counter-guarantees and to name us as the beneficiary of such insurance policy, our Group does not take out any insurance in respect of the assets pledged to us under the counter-guarantees provided to us. In cases where we do not require such insurance arrangement from our customers and our customers are unable to repay their loans, our Group may suffer losses arising from any damage to properties which are not covered by insurance; and the value of the relevant collateral may decrease; and if the value of the collaterals shall not be sufficient to cover our exposure under the relevant guarantee given by us and we are required to make payment to the counter-party of the guarantee given by us, it would have an adverse effect on our business and financial condition.

We have not maintained any insurance against business interruption or against the office premises which we lease. Any payment our Group makes to cover any uninsured losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition. In addition, if our Group does not have sufficient funds to cover any uninsured losses, damages or liabilities or to replace any asset that has been destroyed, our Group's business, results of operations and financial condition could be adversely affected.

RISK FACTORS

Our Group is subject to legal and business risks if our permits are not renewed upon expiry or more stringent conditions are being imposed on financial guarantee companies

In accordance with the Interim Measures, guarantee companies in the PRC are required to obtain a permit in order to attain the status of a financial guarantee company. The Interim Measures do not set forth detailed requirements on the part of the guarantee company that will be taken into account by the relevant authorities in deciding whether to renew the qualification certificates. In order to facilitate implementation of the Interim Measures in the Guangdong Province, the local governments of the Guangdong Province promulgated the Implementing Rules on 27 September 2010, which became effective on 1 November 2010. The Implementing Rules set out the detailed rules regarding the establishment, operation, business scope, risk control and other matters of local financial guarantee companies. As the Interim Measures have only been in force for about three years and the Guangdong Province has its own implementation rules governing the guarantee companies, it is uncertain as to whether there will be any additional or variation of the requirements that may be determined by the relevant authorities on the permits from time to time in the future. If, for any reason, the relevant authorities vary the relevant implementation rules or Interim Measures and our Group's permits are not renewed upon their expiry or more stringent requirements are being imposed on financial guarantee companies, our Group's business operations and financial performance would be adversely affected.

Our Group may be involved in legal proceedings arising from our operations

Our Group may become involved in disputes with customers, finance providers and/or other parties. These disputes may lead to legal proceedings, and may cause our Group to suffer costs and delays to our operations; and they may also adversely affect our reputation which in turn could lead to a slowdown in our new business opportunities. During the Track Record Period, we are not aware of any litigation or arbitration against us that had a material adverse effect on the operation of our Group. However, there can be no assurance that our Group will not be a party to any litigation or arbitration in the future. If such proceedings are commenced by or against our Group, the performance, business, reputation and profitability of our Group may be adversely affected.

Certain advances made by our Group during the Track Record Period were not in compliance with the PRC laws and regulations

During the Track Record Period, Success Guarantee made certain advances to certain independent third parties and related parties from time to time during the Track Record Period which did not comply with the General Rules on Credit and the Interim Measures (“Advances”). Pursuant to the General Rules on Credit, the maximum potential penalty for a corporate entity providing loans to another corporate entity shall be five times of the interests received from the corporate borrower and the inter-company loan may be declared invalid. Under the Interim Measures, financial guarantee companies are prohibited from engaging in the financing business. As advised by our PRC Legal Advisers, the Advances may be declared invalid but, as all Advances provided by our Group were not interest-bearing, Success Guarantee will not be subject to the monetary penalty set out above. As advised by our PRC Legal Advisers, there were no specific penalty provisions on financial guarantee companies engaged in the financing activities under the Interim Measures. As at 31 December 2010, 2011 and 2012 and 31 May 2013, the outstanding balance of the Advances to related party amounted to approximately RMB43.4 million, RMB3.9 million, nil and nil respectively. During each of the three years ended 31 December 2012 and the five months ended 31 May 2013, our Group granted 85, 37, 20 and nil Advances to a total of 28, nil, nil and nil independent third parties and 3, 1, 1, and nil related

RISK FACTORS

parties respectively. During each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the total amount of Advances provided by us was approximately RMB849.0 million, RMB429.0 million, RMB426.2 million and nil respectively. Details of the non-compliance are set out under the section headed “Business — Non-compliance — Advances” in this prospectus.

We ceased to provide such Advances from July 2012 and all such non-interest bearing Advances had been settled in August 2012. However we cannot assure you that the relevant regulatory authorities will not impose penalties and/or sue us retrospectively for the previous Advances. Any penalties and/or fines imposed on us could adversely affect our business, financial conditions and results of operations.

We entered into certain guarantee transactions during the Track Record Period which were not in compliance with the PRC laws and regulations

During the Track Record Period, Success Guarantee entered into two financial guarantee transactions in September 2011 and one financial guarantee transaction in June 2012 with related companies of certain holders of 5% or more equity interest in Success Guarantee, which did not comply with Article 36 of the Implementing Rules (“**Related Guarantees**”). Pursuant to Article 36 of the Implementing Rules, a financial guarantee company is prohibited to provide financial guarantee for a holder of 5% or more equity interest in such company or for a related company of such equity holder. As advised by our PRC Legal Advisers, the PRC laws and regulations do not specifically provide for the maximum potential penalty for such Related Guarantees. The amount guaranteed by us in relation to each of the Related Guarantees was RMB18 million. The aggregate revenue recognised from such financial guarantees during each of the two years ended 31 December 2012 amounted to approximately RMB296,000 and RMB729,000, representing approximately 0.6% and 1.3% of our total revenue for the relevant year respectively. Details of the non-compliance are set out under the section headed “Business — Non-compliance — Related guarantees” in this prospectus.

Our guarantee obligations under each of the Related Guarantees were released in or before August 2012. However we cannot assure you that the relevant regulatory authorities will not impose penalties and/or sue us retrospectively for the previous Related Guarantees. Any penalties and/or fines imposed on us could adversely affect our business, financial conditions and results of operations.

Certain customers’ pledged deposits received by our Group during the Track Record Period were not in compliance with the PRC laws and regulations

During the Track Record Period, our Group did not fully comply with Article 33 of the Implementing Rules and the Notice on Guarantee Deposits. As advised by our PRC Legal Advisers, the outstanding customers’ pledged deposits provided to us as at 31 March 2011, and those received afterwards, in respect of which no tripartite custody agreement has been entered into or which were not kept in a segregated bank account would be considered in breach of the Implementing Rules and the Notice on Guarantee Deposits.

Our PRC Legal Advisers advised that both the Implementing Rules and the Notice on Guarantee Deposits do not specify or provide for potential penalties for the above non-compliance. As at 31 December 2011 and 2012 and 31 May 2013, the total balance of customers’ pledged deposits received by our Group, in respect of which no tripartite custody agreement has been entered into or which were not kept in a segregated bank account amounted to approximately RMB40.7 million, RMB11.0 million and RMB2.1 million respectively. As at 31 December 2011 and 2012 and 31 May 2013, (i) the

RISK FACTORS

corresponding guarantee amounts for such deposits were approximately RMB408.3 million, RMB84.9 million and RMB21.0 million respectively; and (ii) the corresponding guarantee fees for such deposits were approximately RMB22.1 million, RMB4.0 million and RMB1.3 million respectively. Details of the non-compliance are set out under the section headed “Business — Non-compliance — Customers’ pledged deposits” in this prospectus.

Since late August 2012, our Group ceased to accept any non-compliant customers’ pledged deposits in respect of our guarantee transactions to avoid further non-compliance, and all the outstanding balance of customers’ pledged deposits which are not kept in a segregated custodian bank account and for which no tripartite custody agreement has been entered into has been fully released in July 2013. However, we cannot assure you that we will not be subject to penalties under the Implementing Rules or the Notice on Guarantee Deposits. Any penalties and/or fines imposed on us could adversely affect our business, financial conditions and results of operations.

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. Any new requirement under anti-money laundering laws to supervise and report transactions with our customers would increase our costs, and may expose us to potential criminal or administrative sanction in the case we fail to establish and implement adequate procedures in accordance with law.

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

It is part of our business strategy to pursue opportunities of merger and acquisition of small-to-medium-sized financial service provider in order to further expand our business and service offerings. It is our intention to seek acquisition targets that have the potential to complement our existing sales network or our business model or to broaden our service offerings. Any failure to successfully acquire or merge with such targets or any failure to successfully integrate newly acquired or merged businesses into our business could have a negative impact on our future performance, results of operation and financial condition. As at the Latest Practicable Date, we had not identified any specific merger and acquisition target, and no proceeds from the Global Offering are allocated for this purpose.

Our Group is subject to certain foreign exchange risks

Our Group receives all of our revenue in Renminbi, which is currently not a freely convertible currency. A portion of our revenue must be converted into other currencies in order to meet our foreign currency obligations from time to time. For example, our Group is required to obtain foreign currency (i.e. Hong Kong dollars) to make payments of declared cash dividends, if any, on our Shares after the Listing.

The value of Renminbi against Hong Kong dollars and other currencies fluctuates and is affected by, among other things, changes in the PRC and international political and economic conditions. The value of declared cash dividends may be affected by fluctuations in exchange rates.

RISK FACTORS

We recorded negative operating cash flow in 2011 and 2013 and there can be no assurance that we will record positive operating cash flow in the future

We experienced negative cash flow from our operating activities of approximately RMB102.3 million for the year ended 31 December 2011, primarily due to (i) the increase in pledged bank deposits; (ii) the decrease in customer pledged deposits received; and (iii) the PRC income tax paid during the relevant year. For the five months ended 31 May 2013, we also experienced negative cash flow from our operating activities of approximately RMB3.9 million primarily due to (i) the adjustments for non-cash/non-operating in nature items; (ii) increase in pledged bank deposits; (iii) decrease in deferred income; and (iv) the PRC income tax paid during the relevant period. There is no guarantee that we will generate sufficient cash flow from our operations in the future. If we are unable to finance our operations continuously by funds generated by our operating activities, our operations and financial position could be materially and adversely affected. Details of the changes in cash flow from our operating activities are set out in the section headed “Financial information — Net cash generated from/(used in) operating activities” of this prospectus.

We cannot assure you that we will declare dividends in the future

We cannot assure you in the future, our Company will pay dividends. As a part of the continuing evaluation of our Group’s dividend policy, our management considered that for the purpose of business development, the undistributed retained earnings of Success Guarantee amounted to approximately RMB63.0 million as at 31 May 2013 will not be distributed in the foreseeable future.

Pursuant to the Interim Measures, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year and indemnification reserve of no less than 1% of the outstanding guarantee balances at the end of the year undertaken by the subsidiaries in the PRC. As such, where the unearned premium reserve falls under 50% of our guarantee premium recognised during the year, we will need to appropriate certain of our revenue for such reserve up to the required level. Our Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve in 2011. As at 31 December 2011 and 2012 and 31 May 2013, the balance of regulatory reserve amounted to approximately RMB31.6 million, RMB42.9 million and RMB48.2 million respectively. Such regulatory reserve may not be available for distribution to our Shareholders.

Potential investors should be aware that the declaration, payment and amount of any future dividends are subject to the discretion of our Directors, and will depend upon, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors prevailing at the time.

Risk relating to the financial results of our Group for the year ending 31 December 2013 due to the non-recurring expenses

Due to the non-recurring expenses in connection with our Listing, there would be a negative impact on the financial results, including the net profit of our Group for the year ending 31 December 2013. Based on the Share Price of HK\$2.30 per Share (being the mid-point of the stated range of the Offer Price), the estimated expenses for our Listing is approximately HK\$50.6 million (or RMB40.0 million), of which approximately HK\$32.2 million (or RMB25.5 million) will be charged to our profit and loss account, and approximately HK\$18.4 million (or RMB14.5 million) will be charged to share premium account of our Group for the year ending 31 December 2013. As such, profit for the year ending 31 December 2013 will be reduced by the listing expenses of approximately

RISK FACTORS

HK\$26.5 million (or RMB21 million). Most of the expenses had not been incurred during the Track Record Period and will be recognised on Listing. Our Directors would like to emphasise that such listing expenses is a current estimate for reference only and the final amount to be recognised to the profit and loss account of our Group for the year ending 31 December 2013 is subject to adjustments based on audit and the then changes in variables and assumptions. Further, pursuant to the Pre-IPO Share Option Scheme adopted on 18 October 2013, share options to subscribe for 10,000,000 Shares will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. The fair value of the share options granted under the Pre-IPO Share Option Scheme will be charged to the consolidated statements of profit or loss and other comprehensive income of our Group over the vesting periods by reference to the fair value at the date on which such share options were granted. Accordingly, our Board wishes to inform our Shareholders and potential investors that our Group's financial results for the year ending 31 December 2013 and other relevant financial years over the vesting periods of such share options will be affected by the issuance of the share options under the Pre-IPO Share Option Scheme.

RISKS RELATING TO THE GUARANTEE INDUSTRY IN THE PRC

The PRC guarantee market, the PRC financial industry and related laws and regulations may undergo changes and our business and operation may be affected

Since 1995, and with the aim of facilitating the growth of the guarantee industry in the PRC, a number of regulatory measures have been introduced by the PRC government to deal with different aspects of the industry. Such measures include the introduction of the Measures for SME Credit Guarantee Funds and the Interim Measures. These measures are 'interim' or 'trial' measures and may be subject to further modifications. As an example, any modifications made to the Interim Measures may affect our subsidiary's ability to obtain the requisite licences to maintain its classification as a financial guarantee company. In such event, the business and results of operations of our Group may be adversely affected.

Further, the PRC laws and regulations impose certain requirements in relation to the operation of the guarantee business. For example the Interim Measures stipulates that the outstanding financial guarantee amount provided by the financial guarantee company for a single customer shall not exceed 10% of its net assets and the total outstanding financial guarantee amount provided by such company shall not exceed 10 times of its net assets. If the applicable PRC laws and regulations are amended to reduce such maximum outstanding financial guarantee amounts or include more stringent requirements as to, among others, the guarantee fee rates that may be charged by a guarantee company, the type of investments it may make with its own capital, the minimum qualifications for its management or the type of services it may provide, the development of our business may be hindered and our business, results of operations and future prospects may be adversely affected.

In April 2013, the China Banking Regulatory Commission imposed certain requirements in relation to, among others, the financial instruments issued by banks in the PRC and their cooperating institutions in the issue of such financial instruments; and expressed that there will be increased regulatory measures regarding financial instruments in the PRC. If the applicable PRC laws and regulations are amended to impose further restrictions on the cooperating guarantee companies or banks in the PRC or if we provide guarantee services in relation to financial instruments in the PRC in the future, our source of customers and the variety of our services may be limited and our business and results of operation may be adversely affected.

RISK FACTORS

Our business, financial condition, results of operations and future prospects may be materially and adversely affected by changes in government policies

The PRC government has been implementing measures, such as the Law on the Promotion of Small and Medium Enterprises (中華人民共和國中小企業促進法) effective from 2003, to support the growth of SMEs and to improve financing environment for SMEs. Amongst them, the Measures for SME Credit Guarantee Funds was promulgated on 30 April 2010 and amended on 25 May 2012 by the Ministry of Finance and the Ministry of Information and Industry of the PRC to encourage guarantee companies to maintain stable funds for granting guarantees to their SME customers. Pursuant to the Measures for SME Credit Guarantee Funds, our Group has been offered financial support and subsidies from the PRC Government. Under the Measures for SME Credit Guarantee Funds, the PRC government may: (i) provide financial support to guarantee companies by injecting no more than 30% of the capital newly increased by the guarantee companies; (ii) subsidise the difference between their actual guarantee fee rate and 50% of the benchmark bank loan rate if the guarantee fee charged by the guarantee company to its SME customers is lower than 50% of the benchmark bank loan rate for the same period; and (iii) grant to medium-sized companies, small-sized companies and micro companies (as defined under 中小企業劃型標準規定 (the Regulations on the Standards for the Classification of Small and Medium-sized Enterprises)) a subsidy of no more than 1%, 2% and 3% of their annual balance of guarantee amounts respectively, subject to certain requirements under the Measures for SME Credit Guarantee Funds. During the Track Record Period, our Group received such subsidies from various government funds including, among others, 中小外貿企業融資擔保專項資金 (Small and Medium-sized Foreign Trade Enterprises Finances and Guarantees Fund) of the People's Government of Guangdong Province and 國家中小企業發展專項資金 (the National Fund for the Development of Small and Medium-sized Enterprises) of the PRC government. For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, such government grants of approximately RMB4.1 million, RMB8.2 million, RMB10.6 million and RMB0.3 million respectively were granted to our Group. In addition, the PRC government granted Success Guarantee, our operating subsidiary, a full exemption of business tax for the period from 1 March 2010 to 28 February 2013, which was granted to selected financial guarantee companies providing services to SMEs. However, there can be no assurance that our Group will continue to receive such financial support or subsidies or tax exemptions or that the Measures for SME Credit Guarantee Funds or other government policies in support of the SMEs will be in force in the future. Further, if the PRC government does not extend its SME-supporting policies or implements measures to hinder the growth in industries in which our customers engaged, the demand for our guarantee services from our customers may be reduced and our business and results of operation may be adversely affected.

Demand for financial guarantee services may be materially and adversely affected if more SMEs are capable of obtaining loan financing directly

The financial guarantee industry emerged in the PRC primarily due to the difficulties of SMEs in obtaining financing for their operations. Banks may be stringent in accepting collaterals in approving the loan applications from SMEs and may not be willing to provide financing to SMEs as they may not have sufficient collateral and may be regarded by them as less creditworthy than large-scale enterprises; and in view of the amount of preparatory costs involved for the relatively small loan amount, banks may also not be willing to provide financing to SMEs from a cost-effectiveness perspective. As such, guarantee companies facilitate the granting of credit facilities from banks to our customers by way of providing guarantees in favour of such banks. During the Track Record Period, most of the customers for our guarantee services were SMEs and approximately 97.9%, 75.9%, 79.0%

RISK FACTORS

and 84.8% of our revenue were attributed to our financial guarantee services for each of the three years ended 31 December 2012 and the five months ended 31 May 2013, respectively. Further, SME financing is the key market of the financial guarantee industry in the PRC. According to the Ipsos Research Report, SMEs contributed approximately 77.3% of the total outstanding balance of financial guarantees granted by the financial guarantee industry in the PRC as at the end of 2011. If the scale of business operation and the asset level of our SME customers grow and their financial conditions improve, they may be able to obtain financing from lending institutions directly without third party guarantees from guarantee companies. The demand for our guarantee services may substantially decrease and our business and results of operation could be materially and adversely affected as a result.

If loan financing becomes more costly or otherwise less attractive to our customers or if there are any fluctuations in the financial markets in the PRC or changes in the global financial condition, our business will be affected

As customers of a financial guarantee company rely on bank financing to fund their operations, an increase in interest rates may significantly increase the cost of financing and adversely impact the appeal of loan financing to our customers or potential customers. The PRC government and/or commercial banks may also tighten the general credit policy in the PRC and increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make loan financing unavailable or unattractive to potential borrowers. If that happens, the demand for financial guarantee services could significantly reduce and our Group's business would be adversely affected.

Enterprises and private loan markets in the PRC are also affected by fluctuations in the regional financial markets in the PRC, such as those happened in Wenzhou, Henan and Zhengzhou, the PRC, as well as changes in global credit policies. In particular, if the regional credit crisis spreads to our customers and/or their counterparties, our Group may be exposed to greater credit risk. The businesses of SMEs in the PRC may be adversely affected by such fluctuations. This may result in a reduction in the amount of funding to be provided by finance providers to the SMEs in the PRC and thus reduce their demand for our services. Further, finance providers may tighten their approval requirements for granting loans to our customers such that our Group may not be able to provide guarantee services to our customers. Our business and results of operation could therefore be adversely affected as a result.

There is a lack of comprehensive information on the financial market conditions in the PRC

There is currently no comprehensive information on the condition and statistical information of the financial markets in the PRC, such as the amount and nature of loan activities, the supply and demand for different guarantee services and small loans lending services and so on. Accordingly, our Group's development and investment decisions may be adversely affected by the lack of such information. Our Group's results of operations and financial condition could, in consequence, be adversely affected. Potential investors may also not be able to value our business with the lack of information which, in turn, could affect their investment decisions and adversely affect our Group's ability to seek potential investors in the future.

Our Group faces competition from other existing guarantee companies as well as new entrants to the guarantee industry

The guarantee business in the PRC is still at an early stage of development. We believe that as the guarantee industry matures and consolidates, the competition between our Group and other existing

RISK FACTORS

guarantee companies as well as the new entrants to the guarantee industry may increase. Moreover, the competition in the guarantee industry in the PRC and in particular, in Guangdong Province, where our Group's operations are focused, has increased with a number of new entities operating guarantee businesses. We compete with other guarantee service providers in terms of the pricing of services (i.e. guarantee fee rates), the type of guarantee services and the number and range of cooperating institutions. There may also be substitutes to our guarantee services for SMEs in obtaining financing in the future. In the event that our Group is, for any reason, unable to perform competitively in the guarantee industry in the locations in which we operate, our business, financial condition and results of operations may be adversely affected.

The growth of the guarantee industry and small loans lending industry in the PRC may not be sustainable or its growth rate may slow down

The guarantee industry and the small loans lending industry in the PRC have experienced rapid growth, consistent with the economic development of the PRC financial system.

Our Group expects the guarantee industry and the small loans lending industry in the PRC to expand as a result of continued growth in the PRC economy. The growth of the guarantee industry and the small loans lending industry may be affected by various factors such as the growth of the SMEs in the PRC as well as social, political, economic, legal and other factors, most of which are beyond the control of our Group. We cannot assure you that the growth and development of the guarantee industry and the small loans lending industry in the PRC will be sustainable. If the rate of growth of the guarantee industry and the small loans lending industry in the PRC slows down, our Group's business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government could affect our business

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as a majority of our revenue is derived from operations that take place in the PRC. The economic, political and social condition, as well as government policies, including taxation policies, of the PRC, could affect our business. The PRC economy differs from the economies of other countries in many respects. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market-driven economy. Although the PRC government has implemented measures emphasising the use of market forces for economic reform in recent years, there can be no assurance that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business, results of operations and prospects.

The government control of currency conversion could affect our business operations

During the Track Record Period, all of our revenue was received in RMB. At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from the State Administration of Foreign Exchange only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency

RISK FACTORS

guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the State Administration of Foreign Exchange. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB, especially relating to foreign exchange transactions.

Judgments obtained from non-PRC courts may be difficult to enforce in the PRC

Our assets are predominately situated in the PRC. Furthermore, most of our Directors and officers reside in the PRC and the assets of our Directors and officers may also be located in the PRC. As a result, it may be difficult to effect service of process in the PRC upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and most other western countries. Therefore, it may be difficult for you to enforce against us or our Directors or officers in the PRC any judgments obtained from non-PRC courts.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil or Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned" 《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》. Under this arrangement, which came into effect on 1 August 2008, whenever a designated People's Court of the Mainland or a designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to any written agreement between the parties on choice of forum for dispute resolution, the party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, we are given to understand that the rights under the arrangement are limited and the interpretation of and cases decided under the arrangement have not been fully developed, therefore the outcome and effectiveness of any action brought under the arrangement are unclear.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on our business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations may be influenced by momentary policy changes reflecting domestic political and social changes. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations or profitability.

RISK FACTORS

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary

As an offshore holding company of our PRC subsidiary, we may make loans to our PRC subsidiary, or we may make additional capital contributions to our PRC subsidiary. Any loans to our PRC subsidiary are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also determine to finance our PRC subsidiary by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiary. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) (“M&A Rules”), which were promulgated in August 2006, became effective from 8 September 2006 and were amended on 22 June 2009, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a non-foreign funded enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC company in the future, there is no assurance that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

We are a holding company and rely on dividend payments from our subsidiary

We are a holding company and a significant part of our business was carried out through our operating subsidiary in the PRC. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiary. If our subsidiary incurs debt or losses, it may impair its ability to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to our Shareholders.

PRC law requires foreign invested enterprises, such as our subsidiary in the PRC, to set aside part of its net profit as statutory reserves. Our PRC subsidiaries are required to set aside each year at least 10% of its after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC subsidiary. Such reserve may not be discontinued until the

RISK FACTORS

accumulated amount has reached 50% of the registered capital of the PRC subsidiary. These statutory reserves are not available for distribution to us, except in liquidation. The calculation of distributable profits is based on PRC Accounting Standards and Regulations, which differ in many aspects from HKFRSs. As a result, our subsidiary in the PRC may not be able to pay any dividend in a given year to us if it does not have distributable profits as determined under the PRC Accounting Standards and Regulations, even if it has profits for that year as determined under HKFRSs.

Limitations on the ability of our PRC operating subsidiary to remit its entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure that our subsidiary will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

The PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (“**PRC EIT Law**”) and its implementation rules stipulate that if an entity is deemed to be a non-PRC resident enterprise without an establishment or place of business in the PRC, withholding tax at the rate of 10% will be applicable to any dividends paid to it by its PRC subsidiary, unless it is entitled to reduction or elimination of such tax, including by tax treaties.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

Dividends payable by us to our foreign investors may become subject to withholding tax under PRC tax laws

Under the PRC EIT Law and its implementation regulations issued by the State Council, to the extent such dividends for earnings derived since 1 January 2008 are sourced within China and we are considered a “resident enterprise” for PRC tax law purposes, then PRC income tax at the rate of 10% is applicable to dividends payable by us to investors that are “non-resident enterprises” so long as any such “non-resident enterprise” investor does not have an establishment or place of business in China or, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. A lower withholding tax rate may apply if such “non-resident enterprise” is incorporated in a jurisdiction that has entered into an income tax treaty or agreement with China that allows a lower withholding. Similarly, any gain realised on the transfer of the Shares by such “non-resident enterprise” investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China and we are considered a “resident enterprise” in China. If we are required under the new tax law to withhold PRC income tax on our dividends payable to our foreign shareholders who are “non-resident enterprises,” or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Shares might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

Shareholders' interests in the share capital of our Company may be diluted in the future

We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our business. We may require additional equity funding after the Global Offering and the equity interest of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

Any exercise of the options granted or to be granted under the Share Option Schemes and issuance of Shares thereunder would also result in the reduction in the percentage ownership of our Shareholders. There may also be a dilution in the earnings per Share and net asset value per Share as a result of the increase in the number of Shares outstanding after the issue of such additional Shares. Under the HKFRS 2, the costs of share options granted or to be granted to employees under the Share Option Schemes will be charged to our consolidated statements of profit or loss over the vesting periods by reference to the fair value at the date at which the share options are granted. As a result, our profitability may be adversely affected.

Lack of liquidity of our Shares and volatility of the market price may be resulted

Prior to the Global Offering, there has been no public market for our Shares. There is no guarantee that a liquid public market for our Shares will develop or be sustained upon completion of the Global Offering. In addition, the Offer Price has been determined by negotiations between the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) and our Company, and may not be indicative of the market price of our Shares that will prevail in the trading market and such market prices may be volatile.

If an active public market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. Investors may not be able to sell their Shares at or above the initial Offer Price. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Fluctuation of RMB may affect value of our dividends (if any) and our financial condition

The value of RMB may fluctuate which is subject to the government policy of the PRC. From 1994 to 2005, RMB was pegged to the USD. The conversion of RMB into foreign currencies in the PRC, including Hong Kong and USD, was based on exchange rates published by the People's Bank of China. The official exchange rate for the conversion of the RMB to USD was in general stable during that period. However, since 2005, RMB has been pegged to a basket of currencies instead of USD alone.

Since our financial statements are denominated in RMB, the termination of the linked exchange rate between RMB and USD has increased the uncertainty of our income and profits. Any unfavourable change in the PRC government's currency policies and conditions of the currency market may have material adverse effect on the value of our dividends, if any, payable in foreign currencies, and also our financial condition.

RISK FACTORS

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company is a company incorporated in the Cayman Islands under the Companies Law with limited liability and the law of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

Our Company's corporate affairs are governed by its Memorandum and Articles, the Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal action against our Directors and our Company, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands.

In addition, although our Company will be subject to the Listing Rules and the Takeovers Code upon the listing of our Shares on the Stock Exchange, our Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules.

Furthermore, the Takeovers Code do not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong.

As a result of any or all of the above, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our Company's management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

Further information in relation to the constitution of our Company and the Companies Law is set out in Appendix III to this prospectus.

Termination of the Public Offer Underwriting Agreement

Prospective investors of the Offer Shares should note that the Public Offer Underwriters are entitled to terminate their obligations under the Public Offer Underwriting Agreement by the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) giving notice in writing to our Company upon the occurrence of any of the events stated in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination by the Public Offer Underwriters" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

RISK FACTORS

We cannot guarantee the accuracy of facts and other statistics with respect to our industry and the PRC economy contained in this prospectus

We have derived certain facts and other statistics in this prospectus relating to the guarantee industry and the PRC economy, from various government publications or various organisations that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. The information has not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. The facts and other statistics include the facts and statistics included in the sections headed “Risk factors”, “Industry overview” and “Business” in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waiver and exemption from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are located in China, members of our senior management are and will therefore be expected to continue to be based in China. At present, none of our executive Directors is ordinarily resident in Hong Kong or based in Hong Kong. We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules.

We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the condition that we shall put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and ourselves:

- (a) we appoint two authorised representatives (the “**Authorised Representatives**”) pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange, namely Mr. Li Bin, our executive Director and Mr. Pang Chung Fai Benny, an ordinarily resident in Hong Kong and our company secretary;
- (b) each of the Authorised Representatives:
 - (i) is authorised to communicate on behalf of us with the Stock Exchange;
 - (ii) has confirmed that he will be readily contactable by the Stock Exchange and be able to meet with the Stock Exchange on reasonable notice; and
 - (iii) has provided the Stock Exchange with his contact details, including home, office and mobile telephone numbers and where available, facsimile number and email address, and will therefore be readily contactable by the Stock Exchange;
- (c) Mr. Li Bin, our executive Director who is not ordinarily resident in Hong Kong, holds a valid travel document enabling him to travel to Hong Kong within a reasonable time frame to meet with the Stock Exchange in Hong Kong upon request by the Stock Exchange;
- (d) Mr. Pang Chung Fai Benny, our company secretary, is a Hong Kong citizen, ordinarily resides in Hong Kong;
- (e) in the event that a Director expects to travel and be out of office, he or she will have to provide the phone number of the place of his accommodation to the Authorised Representatives;
- (f) we have appointed RaffAello Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will, in addition to the Authorised Representatives, act as our principal channel of communication with the Stock Exchange in Hong Kong;
- (g) the Authorised Representatives and the Compliance Adviser have full access to their respective contact details, including home and office telephone numbers and where available, facsimile number and email address, and the contact details of each Director such that any one of them is readily contactable by the other whenever required;

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

- (h) we have provided the Stock Exchange with our Directors' contact details, including home and office telephone numbers and where available, facsimile number and email address; each of us, the Authorised Representatives and our Directors undertakes to inform the Stock Exchange promptly if there are any changes to such contact details; and
- (i) all our Directors who are not ordinarily residents in Hong Kong hold, or will apply as soon as possible, valid travel documents that will enable them to enter Hong Kong to meet with the Stock Exchange within a reasonable time frame.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus misleading.

The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates of any of them or any other persons or parties involved in the Global Offering.

UNDERWRITING

This prospectus is published in connection with the Public Offer, which forms part of the Global Offering, which is sponsored by the Joint Sponsors and managed by the Joint Lead Managers. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement, including the Joint Global Coordinators (on behalf of the Underwriters) and us agreeing to the Offer Price. Information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus. The International Placing will be fully underwritten by the International Placing Underwriters under the terms of the International Placing Underwriting Agreement, including the Joint Global Coordinators (on behalf of the Underwriters) and us agreeing to the Offer Price. Further details about the Underwriters and the Underwriting Agreements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Global Coordinators (on behalf of the Underwriters) and us on or around Tuesday, 5 November 2013, or such later date as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us but in any event not later than 6:00 p.m. (Hong Kong time) on Friday, 8 November 2013.

If the Joint Global Coordinators (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse immediately.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The application procedures for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON SALE OF OFFER SHARES

Each person acquiring the Offer Shares will be required, or be deemed by his acquisition of Offer Shares, to confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdictions or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person involved in the Global Offering.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and any Shares to be issued upon the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes, on the Main Board.

Save as disclosed herein, no part of the Shares or loan capital of our Company is listed or dealt in on the Main Board or on any other stock exchange and at present, no such listing or permission to deal is being or is proposed to be sought on the Main Board or any other stock exchange in the near future.

HONG KONG SHARE REGISTRAR AND STAMP DUTY

All Shares to be issued pursuant to the Global Offering will be registered on our Company's register of members in Hong Kong to be maintained by Computershare Hong Kong Investor Services Limited. The principal register of members will be maintained in the Cayman Islands. Only Shares registered on the register of members of our Company in Hong Kong may be traded on the Stock Exchange.

Dealings in Shares registered on the register of members in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of the Shares being sold or transferred.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

We, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other persons or parties involved in the Global Offering do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading days. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to stabilisation and Over-allotment Option are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in United States dollars and RMB have been translated, for illustration purposes only, into Hong Kong dollars in this prospectus at the following rates:

HK\$7.7531 : US\$1.00

HK\$1.00 : RMB0.7915

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

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ROUNDING

Certain amounts and percentage figures included in this prospectus are subject to rounding adjustments. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. on Wednesday, 13 November 2013. Shares will be traded in board lots of 2,000 Shares each. The stock code of our Shares will be 3623.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
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DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. ZHANG Tiewei (張鐵偉)	No. 62 Lv Jing Yuan (3) Area 1037 Fen Jiang Nan Lu Chancheng District, Foshan City Guangdong Province, China	Chinese
Mr. LI Bin (李斌)	Suite 601, Block 27 Hua Yuan Second Street Chancheng District, Foshan City Guangdong Province, China	Chinese
<i>Non-executive Directors</i>		
Mr. HE Darong (何達榮)	No. 1, Lv Jing Yuan (4) Area 1037 Fen Jiang Nan Lu Chancheng District, Foshan City Guangdong Province, China	Chinese
Mr. XU Kaiying (徐凱英)	No. 54 Lv Jing Yuan (3) Area 1037 Fen Jiang Nan Lu Chancheng District, Foshan City Guangdong Province, China	Chinese
Mr. PANG Haoquan (龐浩泉)	No. 33 Lv Jing Yuan (3) Area 1037 Fen Jiang Nan Lu Chancheng District, Foshan City Guangdong Province, China	Chinese
<i>Independent non-executive Directors</i>		
Mr. TSANG Hung Kei (曾鴻基)	Flat B, 25/F, Block 6 Phase 4 Tai Po Centre Tai Po, New Territories Hong Kong	Chinese
Mr. AU Tien Chee Arthur (區天旂)	Flat 19C, Tower 3 33 Kings Park Rise Kowloon, Hong Kong	Chinese
Mr. XU Yan (許彥)	No. 4, Door 8, 11th Floor No. 1A Huangsi Da Jie Dongcheng District Beijing, China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

RaffAello Capital Limited
Room 2002, Tower Two
Lippo Centre
89 Queensway
Admiralty
Hong Kong

First Shanghai Capital Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers

RaffAello Securities (HK) Limited
3/F., Plaza 168
166-168 Des Voeux Road Central
Sheung Wan
Hong Kong

First Shanghai Securities Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

Public Offer Underwriters

Yue Xiu Securities Company Limited
24/F, Siu On Centre
188 Lockhart Road, Wan Chai
Hong Kong

Convoy Investment Services Limited
G/F-1/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
Unit 5808-5812, 58/F, The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong law:
Pang & Co. in association with Loeb & Loeb LLP
21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Beijing, China

As to Cayman Islands law:
Appleby
2206-19, Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Joint Sponsors and the Underwriters

As to Hong Kong law:
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing, China

Reporting accountants

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Receiving bank

Industrial and Commercial Bank of China (Asia) Limited
33/F., ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Fourth Floor, One Capital Place P.O. Box 847, Grand Cayman KY1-1103 Cayman Islands
Place of business in Hong Kong registered under Part XI of the Companies Ordinance	21st Floor, CCB Tower 3 Connaught Road Central Hong Kong
Headquarters and principal place of business	West Wing, 21st Floor, Guangfa Building No.29 Jihua 5th Road, Chancheng District Foshan City, Guangdong Province China
Company secretary	Mr. PANG Chung Fai Benny (彭中輝)
Authorised representatives	Mr. LI Bin (李斌) Mr. PANG Chung Fai Benny (彭中輝)
Audit committee	Mr. TSANG Hung Kei (曾鴻基) (<i>Chairman</i>) Mr. AU Tien Chee Arthur (區天旂) Mr. XU Yan (許彥)
Remuneration committee	Mr. XU Yan (許彥) (<i>Chairman</i>) Mr. ZHANG Tiewei (張鐵偉) Mr. TSANG Hung Kei (曾鴻基)
Nomination committee	Mr. ZHANG Tiewei (張鐵偉) (<i>Chairman</i>) Mr. TSANG Hung Kei (曾鴻基) Mr. XU Yan (許彥)
Compliance adviser	RaffAello Capital Limited Room 2002, Tower Two Lippo Centre 89 Queensway Admiralty Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House, 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands

CORPORATE INFORMATION

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal bankers

Bank of China Ltd., Foshan Branch
2 West Renmin Road
Chancheng District
Foshan City
Guangdong Province
China

China Merchants Bank Co., Ltd., Foshan Branch
China Merchants Bank Building
12 Denghu East Road
Guichang Street
Nanhai District
Foshan City
Guangdong Province
China

Foshan Rural Commercial Bank Co. Ltd., Jinlan Branch
Dongsheng Building
43 Jihua Fifth Road
Chancheng District
Foshan City
Guangdong Province
China

Company website address

www.gdjcrzdb.cn

(Note: content in this website does not form part of this prospectus)

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted from the research report compiled by Ipsos and other publicly available sources. Our Directors believe that the sources of statistical and graphical information contained in this section are appropriate sources for such information. No independent verification has been carried out on such information and statistics by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Global Offering, and none of them makes any representation as to the accuracy or completeness of such information. Reasonable care has been exercised by our Directors and Ipsos in the exercise of extracting and repeating such information. Our Directors have no reason to believe that such facts, statistics and data presented in this section is false or misleading or that any fact has been omitted that would render such facts, statistics and data false or misleading. Our Directors confirm that after taking reasonable care there is no adverse change in the market information since the date of the Ipsos Research Report.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned Ipsos, an Independent Third Party, to conduct an industry analysis of and produce the Ipsos Research Report on, amongst other things, financial guarantee services and financial consultancy services in the PRC and in particular, Guangdong Province and Foshan City, for inclusion in this prospectus at an aggregate fixed fee of approximately HK\$288,000. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos becomes the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value chain analyses, competitor tracking and corporate intelligence. The payment of such amount was not contingent on our successful listing or on any of the results provided by the Ipsos Research Report. The Ipsos Research Report was published in October 2013.

To the best of our Directors' information and belief, the information contained in the Ipsos Research Report is derived by means of data and intelligence gathering methodology which includes data from desk research, information collected from our Company, primary research conducted by Ipsos such as interviews with key stakeholders and industry experts in China, including associations and experts, government officials, financial guarantee service providers, and small loans and financial service providers to SMEs. Ipsos, on behalf of itself, its subsidiaries and units, confirms that the data and intelligence gathering methodology has guaranteed a full circle/multi-level information sourcing process, where information gathered will be able to be cross-referenced to ensure accuracy. Intelligence gathered has been analysed, assessed and validated using Ipsos's in-house analysis models and techniques.

The below assumptions and publications were considered in preparation of the market sizing and forecast models:

1. The global economy is assumed to grow stably over the forecast period.
2. It is assumed there is no external shock such as natural disasters or the wide outbreak of diseases to affect the demand and supply of financial guarantee services, small loan services and financial consultancy services in China.

INDUSTRY OVERVIEW

3. The 12th Five-Year Plan (中華人民共和國國民經濟和社會發展第十二個五年(2011 — 2015年) 規劃綱要)
4. The 12th Five-Year Plan for Financial Development of Guangdong Province (廣東省金融改革發展“十二五”規劃)
5. The 12th Five-Year Plan for SME Development (“十二五”中小企業成長規劃)

Based on the above assumptions and publications and to the best of our Directors and the Joint Sponsors' information and belief, our Directors and the Joint Sponsors are satisfied that the projection and data relating to future periods as disclosed herein below are not misleading.

OVERVIEW OF ECONOMY IN THE PRC, GUANGDONG PROVINCE AND FOSHAN CITY

The rapid growth of the PRC's economy presents significant potential for the guarantee industry in the PRC. According to the Ipsos Research Report, China has experienced remarkable period of rapid growth over the past decade, and became the world's second largest economy in 2010. The GDP per capita of Guangdong Province grew at a CAGR of about 10.2% from 2007 to reach about RMB54,095 in 2012, making the province the biggest GDP contributor to overall China in 2013. GDP per capita of Guangdong Province ranked the 7th among 31 provinces and municipalities of China in the same year, and the GDP per capita of Foshan City grew at a CAGR of about 9.4% from 2007 to 2012. Ever since 2000, Foshan City has ranked the 3rd in terms of GDP amongst all cities in the Pearl River Delta region, after Guangzhou and Shenzhen. The GDP per capita of Guangdong Province and Foshan City are expected to grow at a CAGR of around 10.0% and 10.7% respectively from 2013 to 2016. The manufacturing sector is expected to lead GDP growth, particularly in Foshan City as it is known for the manufacturing of households electrics, furniture, information technology, ceramics, metals and pharmaceuticals industries.

ANALYSIS OF FINANCIAL GUARANTEE SERVICE INDUSTRY

Clients of financial guarantee service providers

Financial guarantee service providers basically follow the Guiding Opinions on Establishing SME's Credit Guarantee System (關於建立中小企業信用擔保體系試點的指導意見) and the Opinions on Accelerating the Provincial Establishment of SME's Credit Guarantee System (關於加快建立全省中小企業信用擔保體系的意見) (collectively, the “Opinions”) to serve their target enterprises in China. According to the Opinions, financial guarantee service providers should target at SMEs and those that are labour-intensive. The financial guarantee service providers, particularly those funded by the PRC government, should provide financial guarantee service or re-guarantee service to enterprises in agricultural industry, new established enterprises, enterprises with technological achievements, etc..

Up to now, SME financing is still the key market of financial guarantee service industry. The number of SMEs in China grew at about 46.61% from around 36.9 million in 2007 to around 54.1 million in 2012, providing substantial market potential to the growth of financial guarantee service industry in China. The number of registered financial guarantee service providers grew greatly at about 130.4% from 3,729 units in 2007 to 8,590 units in 2012. At the end of 2012, financial guarantee liability balance reached about RMB1,459.6 billion which was up by about 14.5% from 2011. The financial guarantee service providers served a total of about 170,000 SMEs in 2011.

INDUSTRY OVERVIEW

Importance of financial guarantee service to China economy and SMEs' development

Financial guarantee service industry has played a crucial role in driving the economic growth in China by supplying SMEs to have enough funds needed for expansion and development. As of the end of 2012, SMEs accounted for an estimated 60% of the total GDP of China, and approximately 80% of the jobs created in China. The financial guarantee service industry in China has started since 1992. The industry emerged in China because the development of SMEs was disturbed by the poor credit and lack of funds. Since SMEs usually do not possess sufficient fixed assets such as land, they found difficulties in accessing to bank loans. Financial guarantee service providers were established as intermediary to help SMEs get easier access to bank loans to facilitate their expansion and development. The financial guarantee service providers charge prospective borrowers a fee and in return, they act as guarantor to the bank and consented to pay for the losses in the event of a default. Financial guarantee service providers were further introduced by the PRC government in 1999 to facilitate SMEs to access bank loans through financial guarantee system. The industry entered the stage of rapid development since the implementation of the Law on Promotion of Small and Medium-sized Enterprises (中華人民共和國中小企業促進法) in 2003 to increase credit support and improve the financing environment for SMEs.

Scope of business and numbers of the financial guarantee service providers

The scope of business of the financial guarantee service providers is regulated by regulatory authority. In general, the services offered by financial guarantee service providers in China include guarantee loan, guarantee of acceptance of bills, trade financial guarantee, project financial guarantee, guarantee letter of credit, and other financial guarantee businesses. Besides, the financial guarantee service providers may concurrently provide the services such as litigation guarantee, tender guarantee, advance payment guarantee, project performance guarantee, guarantee of payment of the remaining price of a project, and other guarantees of performance of agreements, financing consulting and other intermediary services related to the guarantee business, investment with its own capital, and other businesses provided by the regulatory agency.

The financial guarantee service industry in China is composed of state-owned, private-owned, and foreign invested enterprises. There were about 8,590 financial guarantee service providers in China in 2012. Among them, approximately 77.8% were private-run and foreign invested, while about 22.2% were state-owned.

In 2012, the number of registered financial guarantee service providers in Guangdong Province and Foshan City accounted for about 4.3% and 0.4% of the total number of service providers in China respectively.

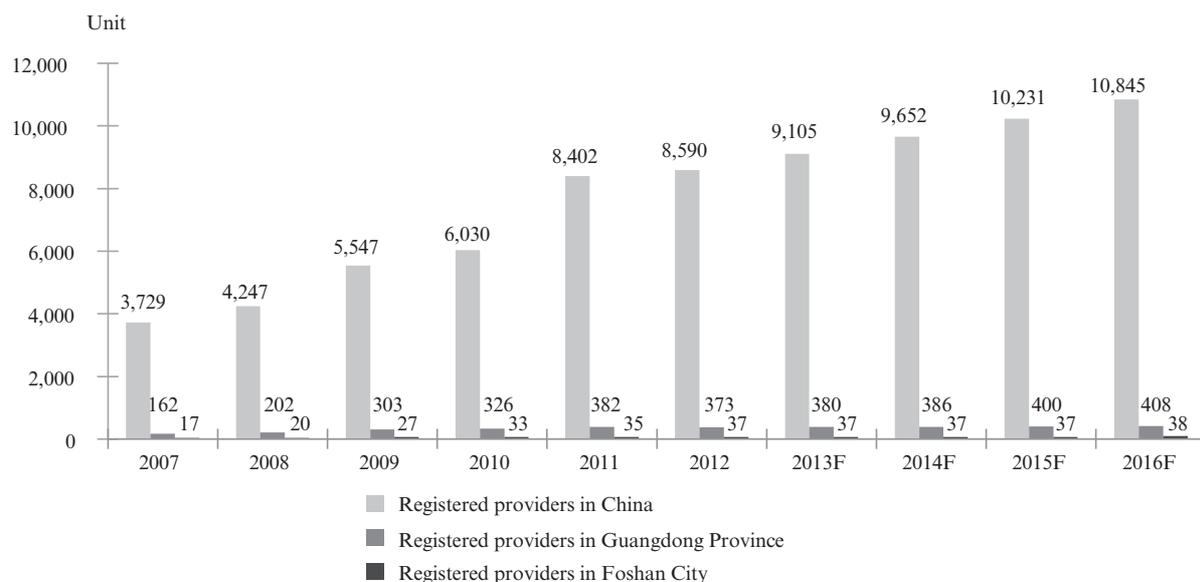
INDUSTRY OVERVIEW

The Number of Government Registered Financial Guarantee Service Providers in China, Guangdong Province, and Foshan City from 2007 to 2016

CAGR of the total number of government registered financial guarantee service providers
in China from 2007 to 2016 = 12.6%

CAGR of the total number of government registered financial guarantee service providers
in Guangdong Province from 2007 to 2016 = 10.8%

CAGR of the total number of government registered financial guarantee service providers
in Foshan City from 2007 to 2016 = 9.4%



Source: SME Bureau; China Banking Regulatory Commission; the finance affair office of Guangdong government; Ipsos analysis

Note: Data for the years 2013 to 2016 is forecast only

In 2012, certain banks in the PRC tightened their cooperation requirements with guarantee companies, including raising the cash deposit requirements or limiting their cooperating parties to state-owned guarantee companies, and a number of guarantee companies subsequently experienced financial distress or collapsed. Our Directors consider that the guarantee industry in the PRC is closely associated with the development of the SMEs, which are the major customers of guarantee companies in the PRC, and SMEs in the PRC had been affected by the general economic conditions resulting from the tightened monetary policies of the PRC government. As such, the changes in the PRC economic conditions had been a major contributing factor in the financial distress of guarantee companies in the PRC. Further, in the opinion of our Directors, the financial distress of such companies could also be attributed to, among others, (i) their non-compliant business practices; and (ii) the relatively smaller number of banks in cooperation with them, which would adversely limit their scale of business operation and future business expansion. With the implementation of the Interim Measures and the Implementing Rules in 2010, the number of financial guarantee companies decreased substantially due to the licencing requirements for the granting of the Operating Licence for Financial Guarantee Institutions (融資性擔保機構經營許可證). Our Directors consider that for guarantee companies with relatively fewer cooperating banks, their sources of customers would be materially and adversely affected as the banks tightened their cooperation conditions. Further to our Directors' view above, the Joint Sponsors consider that (i) the economic environment had been worsening during the recent years

INDUSTRY OVERVIEW

and a considerable number of SMEs had collapsed because of, among others, the economic recession in some exporting western countries and overall adverse domestic economic environment in the PRC, which in turn had adversely affected certain financial guarantee companies in the PRC, including the Guangdong Province; and (ii) following the implementation of the Interim Measures and the Implementing Rules, certain unsound or unqualified financial guarantee companies have collapsed or have voluntarily quitted the industry.

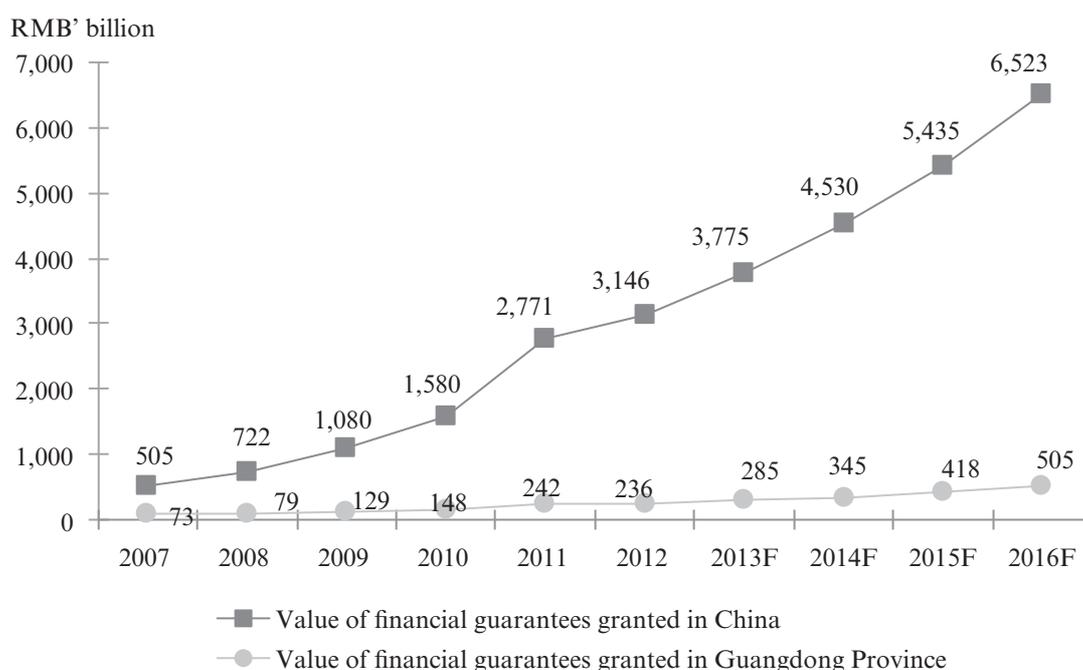
Financial guarantees granted in China

The chart below illustrates the total value of financial guarantees granted in China and Guangdong Province from 2007 to 2012, and the estimated value of financial guarantees granted from 2013 to 2016:

Total value of financial guarantees granted in China and Guangdong Province from 2007 to 2016

CAGR of the total value of financial guarantees granted in China from 2007 to 2016 = 32.9%

CAGR of the total value of financial guarantees granted in Guangdong Province from 2007 to 2016 = 24.0%



Source: SME Bureau; China Banking Regulatory Commission; Ipsos interviews and analysis

Note: Data for the years 2013 to 2016 are forecasted figures only

The total value of financial guarantees granted in Guangdong Province grew at a CAGR of about 26.4% from about RMB73 billion to RMB236 billion from 2007 to 2012. Total value of financial guarantees granted in Guangdong Province accounted for about 7.5% of the total amount granted in China in 2012. Change in the value of financial guarantees granted in China and Guangdong Province is expected to be growing at about 20.0% and 20.8% in 2013 respectively, compared to a growth of about 13.5% and a drop of about 2.5% in 2012 respectively. Due to the unfavourable market factors in 2012 such as weakened export demand affecting the business environment of the SMEs and the tight

INDUSTRY OVERVIEW

liquidity issue arise from the incidents in 2012 where certain major financial guarantee companies in Guangdong Province became financially distressed as a result of their non-compliant activities (“**Guangdong Guarantee Incidents**”), the value of financial guarantees granted in China and Guangdong Province still face pressure for growth with default rate expected to grow slightly in the year ahead. Sustained by strong demand from SMEs, it is expected that the total value of financial guarantee granted in China and Guangdong Province will grow at CAGR of about 20.0% and 21.0% respectively from 2013 to 2016. The industry is still at its infancy thus have significant room of development.

Future trends and developments

China

1. **Consolidation of industry and market concentration** — More cautious measures undertaken by banks to assess their guarantors will drive out unqualified service providers and lead to market consolidation of the financial guarantee service industry. Since the Guangdong Guarantee Incidents which induced liquidity crisis, many banks have tightened measures for financial guarantee and raised the deposit ratio requirement against financial guarantee service providers with unsatisfactory operation results, which increased the barriers of funding by financial guarantee service providers to sustain the cooperation mode with banks. With banks re-assessing their guarantors, the financial guarantee service industry will face elimination of unqualified service providers, and the demand from SMEs for financial guarantee services will be satisfied by more competitive financial guarantee service providers.
2. **Enhanced cooperation with banks** — The financial guarantee industry in China is actively promoting financial guarantee cooperation with banks through strengthening communication with banks to establish trust, and maintaining stability in cooperation.
3. **Increasing capability of financial guarantee service providers** — Financial guarantee service providers in Guangdong Province are increasing their capital investment. According to the Guangdong Financial Office, by March 2011, about 21 financial guarantee service providers have increased their capital at average value of above RMB100 million on top of the minimum capital requirements.
4. **More stringent requirements on loan assessment** — In face of liquidity tightening in the industry, financial guarantee service providers are also adopting more stringent assessment on customers. To reduce risk, they are adopting more stringent requirements to assess their customers’ loan application, as well as planning to diversify their business and avoid limiting businesses to a few banks.
5. **Product innovation and channel development** — Product innovation can raise the opportunities for financing by SMEs. Innovation is a driving force for the development of the financial guarantee service industry and an important means for financial guarantee service providers to maintain their competitiveness, increase ways of financing and leverage their risk. The industry is offering new breakthrough of guaranteed products, for example, financial guarantee services for intellectual property rights, unsecured loans as well as internet coverage. The industry also offers more financing methods such as guaranteed trust, bond issue, fund and finance leasing.

INDUSTRY OVERVIEW

Guangdong Province

Recognition for financial guarantee services in Guangdong Province is increasing with huge demand especially in small and micro-enterprises. In the coming years, the provincial government will strive to guide and promote the development of financial guarantee service providers in Guangdong Province through the following initiatives: encourage new establishments of financial guarantee service providers to increase service coverage in 21 major cities; seek tax exemption to strengthen support for the development of the industry; accelerate the establishment of a cooperation platform between banks and financial guarantee service providers; increase training and development to enhance the quality of managements in the industry; increase the degree of regulation and raise barriers of entry for new entrants.

Foshan City

The nation's tightening monetary policies led to tightened cash flow in SMEs which raises demand substantially for financial guarantee services in Foshan City. With foreseeable increase in demand, the amount of registered capital is expected to surge along with increase in the number of financial guarantee service providers in Foshan City. Further, it is expected there will be increasing promotion for product innovation in the market. There will be an increase in new products such as financial guarantee for intellectual property right and SMEs collective notes. Industry restructure led to increased differentiation amongst financial guarantee service providers in Foshan City.

Key market drivers to financial guarantee service industry in China

SMEs loan will be a key driver to financial guarantee service industry in Guangdong Province and Foshan City in the future as the sector expands and need for financing increases.

The penetration of financial guarantee service industry in China lags behind other developed countries in Asia such that only about 0.4% of the total number of SMEs in China used financial guarantee services to obtain bank loans in 2012. The financial guarantee liability balance only accounted for about 2.3% of the total balance of bank loans in 2012. This was relatively lower than the penetration rate in developed countries such as Japan, Korean and Taiwan where their share of financial guarantee loans by SMEs reached about 11.7%, 19.8% and 10.6% respectively in 2004.

The financial guarantee service industry in Guangdong Province is still at its developing stage. Currently, among all SMEs loans in Guangdong Province, loans granted by financial guarantee services through bank cooperation only accounted for about 10-20% of the total loans, whereas about 80% to 90% of SMEs borrow directly through banks. It is expected that the share will gradually increase along with the rapid development of SMEs and the overall financial guarantee service industry. Guangdong Province as the largest contributor to the nation's GDP will continue to drive economic activities and growth in private enterprises including SMEs; hence, raising the demand for financial guarantee services.

In Foshan City, the value of SMEs loans amounted to about RMB323.3 billion by the end of 2012, which accounted for about 79.0% of the total corporate loans granted (exclusive of personal loans). The amount of outstanding SME loans in Foshan City grew about RMB46.2 billion from the beginning of the year, which was up about 16.7%. With huge potential demonstrated in SMEs, the market is expected to grow with increasing number of establishments and diversifying product portfolios.

INDUSTRY OVERVIEW

Further, as a result of tightened money supply, SMEs faced increasing difficulty in financing. The proportion of secured loans have been decreasing in Foshan City, indicating an increase in the proportion of unsecured loan and financial guarantee as customers choose alternative means of borrowing, which is favorable to the development of financial guarantee service industry in Foshan City.

Government support of the industry

To support the growth of SMEs and to improve financing environment for SMEs, the PRC government has been implementing supportive and/or incentive measures to promote the financial guarantee services industry, examples of which include the following:

Financial subsidies — Various types of subsidies are provided by the PRC government for the financial guarantee service providers. For example, in 2012, the Measures for SME Credit Guarantee Funds was published by the Ministry of Finance and the Ministry of Industry and Information Technology. Qualified financial guarantee service providers providing services to SMEs are entitled to different basis of subsidies at amount up to 1%, 2% or 3% of the annual average outstanding value of financial guarantee.

Tax concession policy — Tax concessions are also implemented by the PRC government to support the development of financial guarantee service providers in China. Among them, the Notice on Exemption of Business Tax for Institutions Providing Credit Guarantees for Small and Medium-sized Enterprises (關於中小企業信用擔保機構免徵營業稅有關問題的通知) (“**Notice on Business Tax Exemption for Guarantee Companies**”) announced jointly by the Ministry of Industry and Information Technology and State Administration of Taxation in 2009 provides supports for financial guarantee institutions providing loan guarantees and financing services for SMEs, whereby the revenues received by qualified financial guarantee institutions from financial guarantees or securities to SMEs will be exempted from business taxes for a period of three years. Further, the Notice for Credit Guarantee Institutions for SMEs on Deducting Certain Provisions Before Enterprise Income Tax (關於中小企業信用擔保機構有關準備金企業所得稅稅前扣除政策的通知) (“**Pre-tax Deduction Notice**”) promulgated in 2012 stipulates that the guarantee compensation reserve provided by qualified financial guarantee institutions for SMEs, as per the proportion of not more than 1% of the guarantee liability balance at the end of the current year, is allowed to be deducted before business income tax.

Policy in support of product innovation — To better facilitate the financial guarantee institutions in assisting SMEs to obtain financing, the PRC government have introduced supportive policy to support and promote financing product innovation, for example, the Circular on the Issues Concerning the Promulgation and Implementation of the Pilot Measures of Shenzhen Stock Exchange for Business of SME Private Placement Bonds (深圳證券交易所中小企業私募債券業務試點辦法) and the Circular on the Issues Concerning the Promulgation and Implementation of the Pilot Measures of Shanghai Stock Exchange for Business of SME Private Placement Bonds (上海證券交易所中小企業私募債券業務試點辦法) (collectively, the “**Pilot Measures for the Issuance of Private Placement Bonds by SMEs**”) introduces financial guarantee services to the capital markets by encouraging the bond issuing companies to engage the services of financial guarantee institutions. The Guiding Opinions on Financial Support for Adjusting, Transitioning and Upgrading of the Economic Structure (關於金融支持經濟結構調整和轉型升級的指導意見) issued in July 2013, among others, encourages financial institutions to provide SMEs with integrated financial services in response to the different financial needs of SMEs in different development stages.

INDUSTRY OVERVIEW

Competition in Guangdong Province and Foshan City

Financial guarantee service providers in Guangdong Province are building their reputation to raise their position in the market. The top seven financial guarantee service providers accounted for about 28.7% of the total market revenue in 2012. There was about 373 and 37 registered financial guarantee service providers in Guangdong Province and Foshan City respectively in 2012.

Instead of direct competition, financial guarantee service providers are striving to raise their reputation and strengthening relationship with banks to secure their source of funding. Financial guarantee service providers with strong brand reputation will gain greater creditworthiness while enjoying benefit from expected robust growth of the market economy and improved operational efficiencies. Financial guarantee service providers tend to invest a lot into strengthening relationship with banks.

According to the Ipsos Research Report, the top ten and top five financial guarantee service providers in Guangdong Province and Foshan City in 2012 are set out below:

Top ten financial guarantee service providers in Guangdong Province

Rank	Name of company	Location(s) of branch(es) or service outlet(s)	Market share (by revenue) (%)
1	Shenzhen Small & Medium Enterprises Credit Financing Guarantee Group Co., Ltd. 深圳市中小企業信用融資擔保集團有限公司	Shenzhen, Hangzhou	8.1
2	Guangdong Join-Share Financing Guarantee Investment Co., Ltd. 廣東中盈盛達融資擔保投資股份有限公司	Foshan City, Guangzhou, Dongguan, Zhaoqin, Shunde	5.1
3	Guangdong Yinda Financing Guaranty Investment Group Co., Ltd. 廣東銀達融資擔保投資集團有限公司	Guangzhou, Zhongshan, Jiangsu, Zhuhai, Foshan City, Huizhou, Jiangmen, Dongguan, Shenzhen	4.9
4	Credit Orienwise Group Ltd. 中科智創業金融集團	Shenzhen, Beijing, Shanghai, Xiamen, Changsha, Guangzhou, Shijiazhuang	3.9
5	Shenzhen Huarong Investment Guarantee Co., Ltd. 深圳市華融投資擔保有限公司	Shenzhen, Beijing, Tianjin, Zhejiang, Dongguan	3.8
6	Guangdong Zhaoda Financing Guarantee Co., Ltd. 廣東兆達融資擔保有限公司	Huizhou	1.6
7	Guangdong Success Finance Guarantee Co., Ltd. 廣東集成融資擔保有限公司	Foshan City	1.3
8	Guangzhou Financial Guarantee Center Co., Ltd. 廣州市融資擔保中心有限責任公司	Guangzhou	0.8
9	Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd. 珠海市中小企業融資擔保有限公司	Zhuhai	0.7
10	Guangzhou GET Financing Guarantee Co., Ltd. 廣州凱得融資擔保有限公司	Guangzhou	0.6

INDUSTRY OVERVIEW

Top five players in the financial guarantee service industry in Foshan City

Rank	Name of company	Location(s) of branch(es) or service outlet(s)	Market share (by revenue) (%)
1	Guangdong Join-Share Financing Guarantee Investment Co., Ltd 廣東中盈盛達融資擔保投資股份有限公司	Foshan City, Guangzhou, Dongguan, Zhaoqin, Shunde	54.1
2	Guangdong Success Finance Guarantee Co., Ltd. 廣東集成融資擔保有限公司	Foshan City	13.7
3	Guangdong Yingteng Financing Guarantee Co., Ltd. 廣東盈騰融資擔保有限公司	Foshan City, Guangzhou	5.3
4	Guangdong Zhanhong Financing Guarantee Co., Ltd. 廣東展鴻融資擔保有限公司	Foshan City	4.1
5	Guangdong Zhumin Guarantee Co., Ltd. 廣東助民融資擔保有限公司	Foshan City	3.8

According to the Ipsos Research Report, Success Guarantee ranked the third and the largest privately-controlled financial guarantee service providers in Guangdong Province and Foshan City respectively in terms of revenue in 2012.

Information relating to the leading privately-controlled financial guarantee service providers in Guangdong Province in 2012 by revenue is set out below:

Rank	Name of company	Market share (by revenue) (%)
1	Credit Orienwise Group Ltd. 中科智創業金融集團	3.9%
2	Shenzhen Huarong Investment Guarantee Co., Ltd. 深圳市華融投資擔保有限公司	3.8%
3	Guangdong Success Finance Guarantee Co., Ltd. 廣東集成融資擔保有限公司	1.3%

Information relating to the leading privately-controlled financial guarantee service providers in Foshan City in 2012 by revenue is set out below:

Rank	Name of company	Market share (by revenue) (%)
1	Guangdong Success Finance Guarantee Co., Ltd. 廣東集成融資擔保有限公司	13.7%
2	Guangdong Yingteng Financing Guarantee Co., Ltd. 廣東盈騰融資擔保有限公司	5.3%
3	Guangdong Zhanhong Financing Guarantee Co., Ltd. 廣東展鴻融資擔保有限公司	4.1%

Competitive landscape of financial guarantee service industry in Guangdong Province

1. Factors affecting the ranking

The following factors may affect the key players' performance and ranking:

Capital — Under the Interim Measures, the balance of financial guarantee liability of financial guarantee service providers should not exceed 10 times of its net assets.

INDUSTRY OVERVIEW

Risk control system — Proper risk control system and measures can help a service provider sustain its cash flow even during bad times of economic turbulence and unstable business operation condition of SMEs and outstand its competitors in face of competitions.

Cooperation with banks — Line of credit from banks is the key resources to financial guarantee service providers. Financial guarantee service provider with the most extensive business relationship with banks will have the best chance of securing its business and gain share in the market.

2. Opportunities in China

Stricter licensing requirement enacted will phase out unqualified financial guarantee service providers and provide opportunities to those qualified in the market. In Foshan City, the local monetary authority evaluated all 127 financial guarantee service providers and only granted licence of operation to about 33 service providers in 2011. With unqualified service providers being phased out in the industry, market consolidation of the remaining players will promote healthy development of the industry.

Increase in demand for financial guarantee service by SMEs in Guangdong Province will give rise to opportunities in the financial guarantee service industry in the area.

Moreover, government encouragement to support SMEs financing will drive new opportunities for the financial guarantee service industry. The Guangdong government has laid out plans to develop the financial industry in its 12th Five-Year Plan, which includes that, by 2015, the number of financial guarantee service providers in Guangdong Province will be raised to about 400. It will regulate the development of financial guarantee service providers through establishing a regulatory system, develop supportive policy, foster growth of large financial guarantee service providers to strengthen the provincial development of the industry in re-guarantee services, and encourage service providers to cooperate with banks to enhance their financial guarantee capability.

3. Factors hindering the growth of the industry

Economy slowdown, unstable cooperation relationship with banks, unstable operation of SMEs, credit risk and the lack of a fair risk compensation and sharing system will threaten the future growth of financial guarantee service providers in Guangdong Province.

Entry barriers

Entry barrier is high for new entrants into the financial guarantee service industry in Guangdong Province owing to the following factors:

- High risk associated with the industry raises barriers of new entrants with no reputation and credit. Banks take cautious approach in accessing the cooperation with financial guarantee service providers on their risk control system. New entrants with no established risk control system will face liquidity pressure or high default rate and loss rate.
- The development of financial guarantee service industry highly relies on the close relationship with banks. A small financial guarantee service provider typically needs to have three to five years of experience to attract banks and obtain loans.
- High registered capital posts entry barriers for new entrants with low credit inventory. Under the Implementing Rules, the minimum registered capital of a newly established financial security company in areas such as Foshan City in Guangzhou Province shall be no less than RMB100 million.

INDUSTRY OVERVIEW

- The regulatory department adopt prudent measures in granting licenses to financial guarantee service providers. By the end of 2012, about 373 financial guarantee service providers have obtained licenses for business operation in Guangdong Province. According to the Reform and Development Plan in the 12th Five-Year Plan, the number of licensed service providers will reach 400 units, with an additional 18 units planned to be added during the years 2012 to 2015.

ANALYSIS OF FINANCIAL CONSULTANCY SERVICE INDUSTRY

Overall market

Financial consultancy service providers in China mainly include professional investment consultancy and financial advisory companies, investment banks, commercial banks, insurance companies, trust investment companies and other financial institutions. Banks are the key service providers for financial consultancy services in China. Financial consultancy services include mainly SME enterprise management services, financial advisory services, investment consulting services, project financing services and tax planning service etc.. Banks usually provide a range of financial consultancy and advisory services to individuals and SMEs, which includes financing consulting, enterprise informatics system, investment consulting, enterprise fund account management, fund account management, etc.. Micro-credit companies (“MCC”) and financial guarantee service providers also provide financial accounting and industrial information to SMEs apart from financing, with the aim to form strategic partnership with SMEs.

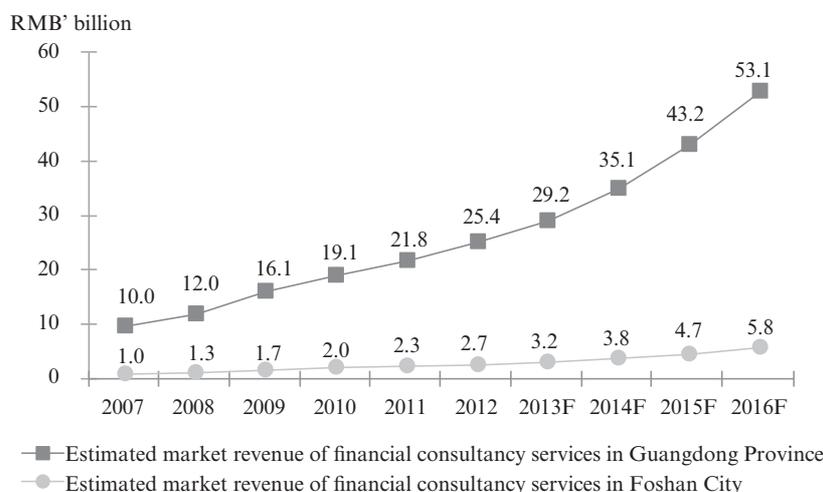
Market size of the financial consultancy service industry in Guangdong Province and Foshan City

The chart below illustrates the estimated market revenue of financial consultancy services in Guangdong Province and Foshan City from 2007 to 2016:

Estimated market revenue of financial consultancy services in Guangdong Province and Foshan City from 2007 to 2016

CAGR of the estimated market revenue of financial consultancy services in Guangdong Province from 2007 to 2016 = 20.4%

CAGR of the estimated market revenue of financial consultancy services in Foshan City from 2007 to 2016 = 21.6%



Note: Data for the years 2013 to 2016 is forecast only

INDUSTRY OVERVIEW

The estimated market revenue of financial consultation services in Guangdong Province grew from about RMB10.0 billion in 2007 to about RMB25.4 billion in 2012, at a CAGR of about 20.5%, while that in Foshan City increased from about RMB1.0 billion to RMB2.7 billion, at a CAGR of about 22.0%. Financial consultancy industry is an intermediary industry which does not require huge investment while being able to generate economic benefit. The industry is strongly encouraged by the government with broad prospect for future development. It is expected the estimated market revenue of financial consultancy services in Guangdong Province and Foshan City to grow at CAGR of about 22.1% and 21.9% respectively from 2013 to 2016.

In 2012, there were over 5,000 and 500 financial consultancy service providers in Guangdong Province and Foshan City respectively.

Market demand

Due to the small scale of operation of SMEs, SMEs are often lack of professional personnel experience in finance and lack of resources in financial services, and therefore SMEs are likely to demand consultancy services provided by financial advisory service provider. Rapid development of SMEs, value-added services and economy downturn have increased the demand of financial consultancy services in China in the past few years. The booming economy and government encouragement have stimulated the development of SMEs and opened up new channels for SMEs' financing in China. The 12th Five-Year Plan for SME Development (“十二五”中小企業成長規劃) with objective to stimulate continuous development of the SMEs will encourage financial consultancy service providers to develop new channels for SMEs financing in the coming years. Economy downturn has also raised demand for financial consultancy services among individuals and SMEs. After the global financial crisis, there was an increase in the demand for financial consultancy services from SMEs to help SMEs manage their financial needs and optimize their resources.

Importance to China economy

Financial consultancy services targets mainly small and micro-enterprises in China by assisting them to resolve their financing difficulty and provide financial solutions to help them evolve in the fast growing market. SMEs play an important role in the China's economy. SMEs are regarded as less creditworthy than large or stated-owned enterprises. This has limited their access to finance from banks and also limited their access to financial intermediaries that can provide business support and information services. Due to increased difficulties of financing, financial consultancy services seek to offer alternative solutions for SMEs by re-evaluating their business performance and offering tailor-solution that is unique to the case of each enterprise. As the importance of SMEs escalates, financial intermediaries are encouraged to increase support to help these enterprises grow in China which is expected to drive the growth of financial consultancy services for serving the increasing financial needs of SMEs.

Relationships among banks, MCCs and financial guarantee service providers

Banks, MCCs and financial guarantee service providers are all working parties to support the development of SMEs in Guangdong Province. Loans to SMEs in Guangdong Province reached about RMB2.14 trillion in 2012, accounted for about 47.2% of the total loan value in Guangdong Province in 2012.

INDUSTRY OVERVIEW

The total loan value granted by MCCs in Guangdong Province was about RMB28.4 billion in 2012, which accounted for about 1.3% of the total loan value to SMEs. The guarantee amount for the financial guarantee service industry in Guangdong Province was about RMB144.5 billion, while the outstanding balance of financial guarantee amount was about RMB96.0 billion in 2012, which accounted for about 4.5% of the total loan value to SMEs in 2012. Bank loans accounted for about 90% of the total loan value for SMEs in Guangdong Province in 2012.

While MCCs and banks lend their own fund to lenders, financial guarantee service providers guarantee the reputation of the companies to qualify for bank loan. Due to the different nature of services, financial guarantee service providers do not engage in direct competition with MCCs nor banks. Financial guarantee service providers possess the advantages of offering lower threshold, more efficient and faster alternatives to lenders who cannot obtain loans directly from banks, while accepting various forms of collaterals as counter-guarantee measures, such as real estate, vehicles, trademark and equity collaterals. On the other hand, supply of funds by MCCs are constrained by the limited source of capital from private investment, hence, their supply of relatively smaller loans is unable to catch up with the fast growing demand in the market.

Competitive landscape of financial consultancy service industry in Guangdong Province and Foshan City

Banks are the main type of service providers for financial consultancy services, which is estimated to account for about 44% of the total revenue of financial consultancy services in China in 2012, whilst MCCs and financial guarantee service providers are estimated to account for about 2% and 3% of the total revenue of financial consultancy services in China in 2012 respectively. Other service providers include trustee companies, securities companies and accounting/audit firms.

In terms of operating environment, banks have competitive advantages in the financial consultancy service industry. They are able to leverage on their professional knowledge, industry experience, strong manpower and financial resources, and extensive network to provide customers various types of financial consultancy services, including standardised, year-round and personalised services. Banks have cost advantage from economies of scale as well as brand advantage, as backed by government's credibility. However, financial guarantee service providers have a broad base of customers who are SMEs, they are able to solve SMEs' financing and investment issues at a lower threshold than the banks. Thus, they play a complementary role in the financial consultancy services offered by banks.

As financial guarantee service providers mainly target at SMEs, the number of which is fast growing in China and which have huge demand for financial consultancy services. Hence, financial guarantee service providers' provision of services to SMEs are highly sustainable, which allows them to possess greater competitiveness and stronger growth potential than the same type of services offered by MCCs, who mainly focus on serving micro-enterprises and individuals, particularly enterprises with single loan value of about RMB10,000.

Future trends and development

According to the Ipsos Research Report, it is expected that banks, MCCs and financial guarantee service providers will increase their products provided to SMEs by covering financial consultancy services.

INDUSTRY OVERVIEW

Increase range of services by banks customers — Due to the growing importance of SMEs, commercial banks are also motivated to increase their service knowledge and ability to provide tailored solutions to help SMEs grow.

“One-stop” financial services — MCCs and financial guarantee service providers will extend their services to provide a “one-stop” financial consultancy solution for SMEs.

Policies and regulations affecting financial consultancy service in China

Government policies to sustain the development of SMEs will drive the development of financial consultancy services in China in the future. The PRC government planned to stimulate the development of SMEs in the 12th Five-Year Plan for SME Development (“十二五”中小企業成長規劃). The number of registered SMEs is targeted to grow at an annual rate of about 8% in the 12th five-year period. The government also planned to improve the service structure serving SMEs, such as banks and non-bank lending service providers, to increase service efficiency. As a whole, government support for the development of SMEs and its servicing structure will drive the demand of financial consultancy services.

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

REGULATIONS ON FOREIGN INVESTMENTS

According to the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (“**Foreign Investment Catalogue**”) promulgated by the Ministry of Commerce of the PRC (“**MOFCOM**”) and the National Development and Reform Commission (“**NDRC**”) on 24 December 2011 and became effective on 30 January 2012, foreign investments in financial guarantee are permitted activities.

REGULATIONS ON FINANCIAL GUARANTEE INDUSTRY

Regulatory Bodies

Prior to March 2003, the State Economic and Trade Commission (國家經濟貿易委員會) (“**SETC**”) was primarily responsible for establishing a national financial guarantee system with the objective of facilitating the development of SMEs. On 14 June 1999, the SETC issued the Guiding Opinions on Establishing SME’s Credit Guarantee System (關於建立中小企業信用擔保體系試點的指導意見) (“**SETC Guidelines**”).

From March 2003 to July 2008, as part of the organisational reform of the State Council, since the SETC ceased to exist, NDRC assumed responsibility of the administration of financial guarantee companies or the “CGCs”, pursuant to Provisions of the State Council on Main Responsibilities, Internal Institutions and Personnel of the NDRC (國家發展和改革委員會主要職責內設機構和人員編制規定) promulgated on 25 April 2003.

From July 2008 to February 2009, the responsibility of the administration of the CGCs was transferred from the NDRC to Ministry of Industry and Information pursuant to Provisions on Main Responsibilities, Internal Institutions and Personnel of Ministry of Industry and Information (工業和信息化部主要職責內設機構和人員編制規定) promulgated on 11 July 2008.

Since February 2009, pursuant to the Notice on Further Specifying the Supervisory Responsibilities for Financial Guarantee Business issued by the General Office of the State Council (國務院辦公廳關於進一步明確融資性擔保業務監管職責的通知), the regulatory body of the CGCs was then transferred from Ministry of Industry and Information to State Council Financial Guarantee Committee (國務院融資性擔保業務監管部際聯席會議), which is took lead by the China Banking Regulatory Commission (“**CBRC**”), and participated in by the NDRC, Ministry of Industry and Information, Ministry of Finance, the PBOC, the State Administration for Industry and Commerce of the PRC (“**SAIC**”) and Legal Affairs Office of the State Council, etc..

Status as Non-Financial Institutions

According to the SETC Guidelines, the CGCs are not financing institutions and shall not conduct any financing business. Furthermore, in the SAIC’s official response on 8 July 1999 to inquiries made by certain provincial industry and commerce administration authorities, SAIC confirmed that the CGCs were not regulated as financing institutions.

Establishment of the CGCs

Prior to 29 January 2009, pursuant to the issuance of Decision of the State Council on Amending the Decision of the State Council on Establishing Administrative Licenses for the Administrative Examination and Approval Items Really Necessary to Be Retained (國務院關於修改〈國務院對確需

REGULATORY OVERVIEW

保留的行政審批項目設定行政許可的決定〉的決定), the establishment of a CGC required approval from or registration with relevant regulatory bodies above mentioned or local government. Since 29 January 2009, the establishment of a CGC should be approved by the authority appointed by provincial government (“CGC Administration”).

Pursuant to the Interim Measures, which was jointly promulgated by seven ministries of the PRC including the CBRC, NDRC, MOFCOM, etc. on 8 March 2010, CGCs shall obtain the Operating Licence for Financial Guarantee Institutions (融資性擔保機構經營許可證). Furthermore, the CGCs are also required to obtain approvals from CGC Administration with respect to certain matters, including changes in company name, organisation form, registered capital, registered address, business scope, directors, supervisors, senior management, shareholder holding equity more than 5%, division or merger, and, amendment of articles of association. Moreover, subject to the relevant provisions of the state, the amount of fees that may be collected by CGCs for the provision of guarantee services may be determined with reference to the level of risk involved in the transaction and through negotiations between the financial guarantee provider and person for whom the guarantee is provided. The regulatory threshold for the outstanding guarantee balances undertaken by a CGC is ten times the company’s net assets.

Under the Notice of China Banking Regulatory Commission on Issuing the Material Risk Incidents Reporting System of Financial Guarantee Agencies (中國銀監會關於印發《融資性擔保機構重大風險事件報告制度》的通知) which became effective on 6 September 2010, financial guarantee companies shall make a simple report to CGC Administration in time after the occurrence of material risk incidents and make a detailed report of material risk incidents within 24 hours.

Under the Notice of China Banking Regulatory Commission on Issuing the Guidelines for Administration of Financial Guarantee Agencies Operating Licence (中國銀監會關於印發《融資性擔保機構經營許可證管理指引》的通知) which became effective on 6 September 2010, the term of financial guarantee agencies operating licence is 5 years, and if the financial guarantee company need to renew the financial guarantee agencies operating licence, it has to submit renewal application to CGC Administration 90 days in advance.

Under the Interim Measures for the Post-holding Qualifications of Directors, Supervisors, and Senior Management of Financial Guarantee Companies (融資性擔保公司董事、監事、高級管理人員任職資格管理暫行辦法) which became effective on 27 September 2010, the qualification of directors, supervisors, and senior management personnel of financial guarantee companies shall be approved by CGC Administration.

Under the Notice of China Banking Regulatory Commission on Issuing the Guidelines for Information Disclosure of Financial Guarantee Companies (中國銀監會關於印發《融資性擔保公司信息披露指引》的通知) which became effective on 25 November 2010, financial guarantee companies shall disclose annual report, temporary report on material incidents and other information required by the laws, regulations, rules and normative documents to creditors and other interest related parties.

Under the Notice of China Banking Regulatory Commission on Issuing the Guidelines for Internal Control of Financial Guarantee Companies (中國銀監會關於印發《融資性擔保公司內部控制指引》的通知) which became effective on 25 November 2010, financial guarantee companies shall set and perfect internal control system.

REGULATORY OVERVIEW

Under the Notice of China Banking Regulatory Commission on Issuing the Guidelines for the Corporate Governance of Financial Guarantee Companies (中國銀監會關於印發《融資性擔保公司公司治理指引》的通知) which became effective on 25 November 2010, financial guarantee companies shall perfect internal management structure, set up the board of shareholders, board of directors, board of supervisors, senior management, reasonable internal incentive mechanism and effective restraint mechanism.

Pursuant to the Implementing Rules, which was promulgated by the People's Government of Guangdong Province on 27 September 2010 and became effective on 1 November 2010, an application for the establishment of a CGC or a new branch of a CGC in Guangdong province must be submitted to the Guangdong Financial Office and thereafter must undergo examination, approval and finally obtain an operating licence from Guangdong Financial Office before applying to the relevant Administration of Industry and Commerce for registration. The CGCs established in areas such as Foshan in Guangdong Province must have a minimum of RMB100 million registered capital, all of which are paid in currency by investors. In the absence of other related laws or regulations, foreign investment in the financial guarantee business should obey the Implementing Rules.

Guarantee in General

The Guarantee Law became effective on 1 October 1995, and its judicial interpretation issued by the Supreme People's Court on 8 December 2000 are the principal general laws governing the guarantee business. According to the Guarantee Law and its judicial interpretation, the guarantor has a right of recourse against the primary obligor or to demand other sureties (if any) to discharge the portion of obligation which they should respectively assume. The Guarantee Law and its judicial interpretation also provide that a creditor or a mortgagee, who is not paid at the maturity of the obligation by the debtor or mortgagor, may enforce its right against the collateral through an agreement with the debtor or mortgagor. If the parties fail to reach an agreement, the creditor or the mortgagee may file a lawsuit in court to enforce its right.

The Property Law of the PRC (中華人民共和國物權法) ("**Property Law**") was promulgated by the National People's Congress on 16 March 2007 and came into effect on 1 October 2007. The Property Law defines "property" as including immovable property and moveable property. "Property rights" are defined as the rights enjoyed by the property right holder to directly control, to the exclusion of others, specific property. Property rights are comprised of ownership, usufructuary right and real right for security. The Property Law stipulates that legal title to an item of property confers on the title holder the right to possess, use, derive benefit and advantage from, and to dispose of the item of property. The title holder may, in accordance with the relevant law, create a security interest over the item of property in favor of a creditor. Likewise, when engaging in finance or business transactions, to the extent required to protect their rights as creditors, creditors may in accordance with the Property Law and other relevant laws create security interest over a debtor's or relevant third party's property as security for performance of the debtor's obligations. Where such a security interest has been created and the debtor does not fulfill its obligations or otherwise defaults under the terms of the agreement with the creditor, then unless otherwise specified by relevant laws or agreements (if any), the creditor will enjoy priority of repayment to the extent secured by the relevant property interest.

REGULATORY OVERVIEW

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

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

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

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

The Bankruptcy Law stipulates that secured creditors enjoy priority of repayment over non-secured creditors in respect of the asset(s) over which security was provided. However, in the case that a secured creditor forfeits its priority of repayment over a particular secured asset, or if the proceeds from the disposition of the secured asset are insufficient to discharge the secured debt, the secured creditor’s priority to repayment in respect of any outstanding corresponding debt and his right to repayment in respect of such outstanding debt will rank *pari passu* with other non-secured creditors.

REGULATORY OVERVIEW

After the debts of secured creditors, the costs associated with the bankruptcy proceedings and all relevant community liabilities have been repaid, insolvent assets are liquidated and applied to the repayment of debts in the following order: wages and subsidies for social security payments in respect of the debtor's employees, employees' other social security premiums and the debtor's outstanding tax payment, and finally non-secured creditors.

Regulations governing construction project guarantee business

On 6 August 2004, the Ministry of Construction issued Several Regulations on Implementation of Construction Contract Guarantee in Real Estate Development Projects (Trial) (關於在房地產開發項目中推行工程建設合同擔保的若干規定(試行)) (“**Trial Regulations**”) to regulate performance guarantee business for any construction contract for a real estate development project with an amount exceeding RMB10 million. Other than performance guarantee for the aforementioned construction contracts for real estate development, guarantee or other services offered to real estate and construction related enterprises are however not subject to the Trial Regulations. On 7 December 2006, the Ministry of Construction further promulgated the Opinions on Further Carrying out Construction Guarantee System in Construction Projects (關於在建設工程項目中進一步推行工程擔保制度的意見) (“**Opinions on Construction Guarantee System**”). On 25 September 2012, the Foshan Municipal People's Government further promulgated Administration Measures of Projects Construction Guarantee of Foshan City (Trial) (佛山市工程建設擔保管理辦法(試行)) (“**Administration Measures of Foshan**”).

Pursuant to the Trial Regulations, the Opinions on Construction Guarantee System and the Administration Measures of Foshan, the guarantor in Foshan for a construction contract shall be a licensed banking institution, a specialised guarantee company or other permitted company registered in the PRC. In the case of a specialised guarantee company, its aggregated outstanding guarantee amount shall not exceed ten times its net assets, and its outstanding guarantee amount for any individual transaction shall not exceed 30% of its net assets. The specialised guarantee company is required to enter into a cooperation agreement with a local bank and be granted a certain guarantee amount by the bank, or to satisfy the relevant conditions prescribed by the China Banking Regulatory Commission. The specialised guarantee company is also required to obtain qualification certification from guarantee administrative institution and handle a filing procedure with the local construction administration department and other regulatory body and institution.

Measures for SME Credit Guarantee Funds

On 25 May 2012, Ministry of Finance and Ministry of Industry and Information Technology promulgated the Measures for SME Credit Guarantee Funds which defines the credit guarantee funds for SMEs (“**guarantee funds**”) as funds arranged by the central financial budget to support financial guarantee institutions for SMEs (“**guarantee institutions**”) and re-guarantee institutions for SMEs (“**re-guarantee institutions**”) in improving their business capacity, expanding guarantee businesses for SMEs, and enhancing financing environment of SMEs, especially micro and small-sized enterprises.

REGULATORY OVERVIEW

The Measures for SME Credit Guarantee Funds further stipulates that Guarantee funds may support projects in the following ways:

- **Business subsidies.** Guarantee institutions and re-guarantee institutions shall be encouraged to provide guarantee (re-guarantee) services for SMEs, especially micro and small-sized enterprises. For guarantee services provided by guarantee institutions that meet the conditions specified in these Measures for medium, small and micro-sized enterprises, no more than 1%, 2% and 3% of the average annual balance of guarantee amount shall be granted as subsidies. For re-guarantee services provided by re-guarantee institutions that meet the conditions specified in these Measures for, medium and small or micro-sized enterprises, no more than 0.5% and 1% of the average annual balance of guarantee amount shall be granted as subsidies.
- **Subsidies for guarantee fees.** Guarantee institutions shall be encouraged to provide low-rate guarantee services for small and medium-sized enterprises. For subsidies granted for guarantee services provided by guarantee institutions for small and medium-sized enterprises with rates of less than 50% of current benchmark interest rates of bank loans, the proportion of subsidies shall not exceed the difference between 50% of current benchmark interest rates of bank loans and actual guarantee rates, and low-rate guarantees for micro and small-sized enterprises shall be subsidized preferentially.
- **Capital investment.** Guarantee institutions shall be encouraged to expand capital scale, raise credit level and improve business capacity. Under special circumstances, no more than 30% of newly-increased capital contribution support shall be granted for guarantee institutions and re-guarantee institutions that meet the conditions specified in these Measures.
- **Others.** Other ways of support used to encourage and guide guarantee institutions and re-guarantee institutions to provide financial guarantee (re-guarantee) services for SMEs.

Guarantee institutions that meet the conditions specified below may simultaneously apply for subsidies not limited to one of the above-mentioned ways of support, but the guarantee fund subsidy acquired by a single guarantee institution in the current year shall not exceed RMB 20 million excluding capital investment.

The conditions are as follows:

- (1) The institution shall be established and operated in accordance with relevant national laws and regulations with independent corporate capacity and have obtained the business license for financial guarantee institutions.
- (2) The institution shall have engaged in guarantee business for two years or more and have no bad credit records.
- (3) The institution's guarantee business shall conform to relevant State laws, regulations, provisions on business administration and industrial policies, and the newly-increased guarantee business turnover from small and medium-sized enterprises in the current year shall be 70% of the newly-increased total guarantee business turnover or more, or the newly-increased guarantee business turnover from small and medium-sized enterprises shall be RMB 1 billion or more.
- (4) The liability balance of guarantee provided by the institution for a single enterprise shall not exceed 10% of its net assets, and the liability balance of guarantee provided by the institution for a single enterprise to issue bonds shall not exceed 30% of its net assets.

REGULATORY OVERVIEW

- (5) The newly-increased guarantee business turnover of the guarantee institution in the eastern region in the current year shall reach 3.5 times average net assets (i.e. the sum of the opening and closing balances of net assets of the relevant year and then divided by two) or more, and the institution's compensation rate shall be less than 2%; the newly-increased business guarantee turnover of the guarantee institution in the central region in the current year shall reach 3 times average net assets or more, and the institution's compensation rate shall be less than 2%; the newly-increased guarantee business turnover of the guarantee institution in the western region in the current year shall reach 2.5 times average net assets or more, and the institution's compensation rate shall be less than 2%.
- (6) The institution's average annual guarantee rate shall not exceed 50% of the current benchmark interest rate of bank loans.
- (7) The institution shall have a sound internal management system, carry out operation in a standardized manner, withdraw reserves in accordance with relevant provisions, and duly report the corporate financial and accounting report and relevant information to the financial department.
- (8) The institution has not been subject to punishments imposed by the financial departments and other regulatory departments at or above the county level for financial violations and other violations of laws and regulations in the latest three years.
- (9) Other necessary conditions.

Opinions on SME Guarantee System

In order to facilitate the development and improve the regulatory environment of financial guarantee institutions for SMEs, the General Office of State Council issued the Opinions on SME Guarantee System which came into effect on 23 November 2006. Under the Opinions on SME Guarantee System, investors of financial guarantee institutions for SMEs (“**guarantee institutions**”) are encouraged to increase their capital injections in the guarantee institutions; and for guarantee institutions mainly engaging in providing loan guarantee for SMEs, the guarantee fees could be in line with the operating risks and costs. The basic rate of guarantee fee is 50% of the current bank loan interest rate, but the actual rate may be subject to adjustment ranging from 30% to 50% above or below the basic rate. Upon the approval of supervision authority, other rates may be agreed upon through negotiations between the contracting parties. The Opinions on SME Guarantee System further encourage the banks and registration authorities for mortgage and pledge to better cooperate with guarantee institutions.

Guiding Opinions on Establishing SME's Credit Guarantee System

According to the Guiding Opinions on Establishing SME's Credit Guarantee System (關於建立中小企業信用擔保體系試點的指導意見), which was promulgated by National Economic and Trade Commission (currently known as the MOFCOM) on 14 June 1999 and simultaneously came into force, SME's Credit Guarantee System is made up of three levels, namely the municipal, provincial and state level, and covers the business of guarantee and re-guarantee, among others, the guarantee business is operated on municipal basis, and the re-guarantee on provincial basis.

Notice of the Exemption of Business Tax

Pursuant to the Notice on Business Tax Exemption for Guarantee Companies promulgated by the Ministry of Industry and Information and State Administration of Taxation on 19 March 2009 and came into force on the same day, and the Notice on Relevant Issues Concerning the Name List of Exemption of Business Tax on Credit Guarantee Agencies for Small and Medium-Sized Enterprises

REGULATORY OVERVIEW

(關於公佈免徵營業稅中小企業信用擔保機構名單有關問題的通知) promulgated by the Ministry of Industry and Information and State of Administration of Taxation (“SAT”) on 16 February 2011 and came into force on the same day (collectively as the “**Notice of the Exemption of Business Tax**”), the following requisite conditions must be met if Credit Guarantee Agencies for SMEs could apply for Business Tax exemption:

- The agency shall be a duly registered enterprise legal person mainly engaged in providing guarantee services for SMEs upon the approval by competent departments authorized by the government (administration department of SMEs), the paid-up capital shall exceed RMB20 million;
- The agency shall not carry out guarantee services mainly for profit-making purpose and the charge rate of guarantee services business shall not exceed 50% of the current bank loan interest;
- The agency shall have a sound internal management system, the capacity of providing guarantee to SMEs, remarkable business achievements and sound mechanisms for the pre-assessment, supervision during the loan term, follow-up recovery and disposal of guaranteed projects;
- The agency shall have a sustainable development history for more than two years, and the capital is mainly used in guarantee business;
- The accumulative secured loans for SMEs shall account for more than 80% of the total of its accumulative guaranteed amount for two years. The accumulative secured loans for single guarantee under RMB8 million shall account for more than 50% of the total of its accumulative guaranteed amount;
- The balance of the guarantee to a single guaranteed enterprise shall not be more than 10% of the net asset of the agency itself;
- The annual increased guarantee amount shall be more than 3 times of net asset of the agency itself and the agency shall be jointly and severally liable for the repayment to the extent of less than 2% of the guarantee funds; and
- The agency shall accept the supervision by the administration departments of SMEs of the local people’s government, report information on guarantee business and submit financial and accounting statements to the administration department of SMEs of the local people’s government in accordance with relevant requirements.

The term of exemption of business tax shall be three (3) years, commencing on the date when guarantee agencies complete the formalities for tax exemption with competent taxation authorities. Guarantee agencies that still satisfy the above conditions after the expiration of the three-year term of business tax deduction and exemption policy may continue applying for tax deduction and exemption.

The Notice of the Exemption of Business Tax also stipulates the application procedures. Upon the voluntary application by guarantee agencies, and the examination, verification and recommendation by provincial-level administration departments of SMEs and provincial-level local taxation departments, the Ministry of Industry and Information and the SAT shall examine, approve and issue a list of enterprises enjoying tax exemption. Guarantee agencies on the list shall file applications with competent taxation authorities with relevant documents to go through tax exemption formalities, and local taxation authorities shall review and approve such applications based on the list issued by the Ministry of Industry and Information and the SAT. Upon the completion of tax exemption formalities, guarantee agencies may enjoy the policy of business tax exemption.

REGULATORY OVERVIEW

Pre-tax Deduction Notice

On 11 April 2012, Ministry of Finance and State Administration of Taxation issued the Pre-tax Deduction Notice which was retrospectively effective since 1 January 2011 and cease to be effective on 31 December 2015. For the purpose of this Pre-tax Deduction Notice, a qualified SME financial guarantee institution could enjoy these following pre-tax deduction policies:

- The guarantee compensation reserve provided by qualified SME financial guarantee institutions as per the proportion of not more than 1% of the guarantee liability balance at the end of the current year is allowed to be deducted before enterprise income tax, and meanwhile the guarantee compensation reserve balance provided in previous year shall be converted into income of current period.
- The undue liability reserve provided by qualified SME financial guarantee institutions as per the proportion of not more than 50% of the premiums of the current year is allowed to be deducted before enterprise income tax, and meanwhile the balance of undue liability reserve provided in previous year shall be converted into income of current period.
- compensatory loss actually incurred to the SME financial guarantee institutions shall, if complying with the provisions of relevant tax laws and regulations on pre-tax deduction for asset loss, be offset by the guarantee compensation reserve deducted before tax, and any insufficiency (if any) shall be deducted prior to the enterprise income tax.

Notice of the General Office of the State Council on Forwarding the Opinions on Promoting the Standardized Development of the Financial Guarantee Industry

On 21 June 2011, the General Office of the State Council issued the Opinions on Promoting the Standardised Development of the Financial Guarantee Industry (關於促進融資性擔保行業規範發展的意見) (“**Opinion**”) promulgated by the CBRC, NDRC and other relevant departments which came into force on the same day. Pursuant to the Opinion, larger financial guarantee institutions with stronger capacities are encouraged to set up branches or carry out business in counties and western regions, whereas financial guarantee institutions in counties shall strengthen the financial guarantee services for SMEs and enterprises that are in rural areas, run by farmers or engaging in the agriculture industry. In addition, private capital and foreign capital are encouraged to invest in the financial guarantee industry pursuant to the laws, so as to consolidate the industry’s capital strength, facilitate market competition, and meet the diversified financial guarantee needs at various levels and from various fields.

General Rules on Credit

The General Rules on Credit promulgated by the PBOC on 28 June 1996 and came into effect on 1 August 1996. The General Rules on Credit define a “loan provider” as a PRC owned financial institution established in the PRC that engages in the provision of interest bearing loans. One type of loan defined in and regulated in accordance with the General Rules on Credit is an entrusted loan. Entrusted loans are an arrangement whereby the capital for a loan is supplied by a government department, an enterprise or a natural person (“**capital provider**”) and entrusted to a financial institution as the loan provider. Entrusted loans are made by the loan provider to a specified borrower for a particular purpose and in an amount, for a term and at an interest rate determined by the capital

REGULATORY OVERVIEW

provider. The term “specified borrower” (確定的貸款對象) describes the party specified by the capital provider as the person who will receive the amount of an entrusted loan (“**loan recipient**”). The General Rules on Credit do not contain any restriction or prohibition on the provision of entrusted loans to specified borrowers who are related parties to the capital provider. While the loan provider exercises supervision over and receives repayment from the loan recipient, the loan provider does not assume any risk of default in repayment by the loan recipient. In accordance with the General Rules on Credit and the relevant judicial interpretation from the Supreme People’s Court of the PRC, in an entrusted loan arrangement, the relationship between the loan provider and the capital provider is that of trustee and trustor; and the relationship between the loan provider and the loan recipient is that of lender and borrower. No creditor/debtor relationship exists between the capital provider and the loan recipient. The General Rules on Credit require that loan providers must be authorised by and have been granted a Financial Institution License (金融機構法人許可證) or a Financial Institution Operation Licence (金融機構營業許可證) from the PBOC; and must have registered with the State Administration for Industry and Commerce (工商行政管理部門). The General Rules on Credit further stipulate that enterprises which are not authorized and registered as loan providers must not breach the laws of the PRC by engaging in intercompany loan transactions or the provision of loans through unauthorised means. An intercompany loan is a loan provided directly from one company to another where the loan provider is not authorised and registered as loan provider. The General Rules on Credit provide that the PBOC may impose sanctions on an intercompany loan provider and enforce a penalty of up to five times of the income received from the provision of the loan.

REGULATIONS ON TAX

PRC Enterprise Income Tax

Prior to 1 January 2008, the foreign-invested enterprises shall pay enterprise income tax (“**EIT**”) pursuant to the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) promulgated by the National People’s Congress Standing Committee in 1991 (“**Prior EIT Laws**”) and related implementation regulations. Pursuant to the Prior EIT Law, except for the preferential tax rates, a foreign-invested enterprise was subject to EIT at a statutory rate of 33%. In addition, certain foreign-invested enterprises were exempted from EIT for two years starting from the first profit-making year and followed by a 50% reduction of the EIT in the next three consecutive years.

On 16 March 2007, the National People’s Congress passed the Enterprise Income Tax Law of the PRC (“**PRC EIT Law**”) (中華人民共和國企業所得稅法), with effect from 1 January 2008. On 6 December 2007, the State Council enacted the Implementation Rules for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) which also became effective as of 1 January 2008. The PRC EIT Law and its implementation rules adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the original tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and effective on 1 January 2008, there is a transition period for enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the PRC EIT Law. Enterprises that were subject to an enterprise income tax rate lower than 25% before

REGULATORY OVERVIEW

the effectiveness of the PRC EIT Law may continue to enjoy the lower rate and gradually transit to the new tax rate within five years after the effective date of the PRC EIT Law. Enterprises that were granted preferential EIT treatments before the effectiveness of the PRC EIT Law may continue to enjoy the preferential EIT treatments until their expiration.

Under the PRC EIT Law, enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Pursuant to the PRC EIT Law and its implementation rules, besides enterprises established within the PRC, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the PRC EIT Law, “de facto management body” refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. In our circumstance, substantially our management is currently based in China and is expected to remain in China in the future. It is not clear whether we would be deemed as “resident enterprises” or not. In addition, although the PRC EIT Law provides that dividend income between “qualified resident enterprises” is exempted income, and the implementing rules refer to “qualified resident enterprises” as enterprises with “direct equity interest,” it is not clear whether dividends we receive from our subsidiary are eligible for such exemption if we are deemed to be a PRC “resident enterprise.” If we are considered a PRC “resident enterprise” and thus required to withhold income tax for any dividends we pay to our non-PRC resident enterprise investors, the amount of dividends we can pay to our Shareholders could be materially reduced. In addition, any gain realized on the transfer of ordinary shares by our non-PRC resident investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Furthermore, the PRC EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within China but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. The implementation rules of the PRC EIT Law provide that after 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC Shareholders reside.

Regulations on Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“**Circular 698**”), issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, except for the purchase and sale of equity through a public securities market, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority

REGULATORY OVERVIEW

of the PRC resident enterprise this Indirect Transfer. If the tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax, the tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer.

PRC Business Tax

Pursuant to the PRC Provisional Regulations on Business Tax (中華人民共和國營業稅暫行條例), (“**Business Tax Regulations**”), promulgated by the State Council on 13 December 1993 and last amended on 10 November 2008 and its implementation rules which were last revised on 28 October 2011, business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activities.

PRC Value Added Tax

Pursuant to the Interim Regulation on the Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and were last amended on 10 November 2008, and its implementation rules, any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods in China is generally required to pay value added tax (“**VAT**”) on the added value derived during the process of manufacture, sale or service provided. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Pursuant to the Circular on Printing and Issuing the Pilot Proposals for the Transformation from Business Tax to Value Added Tax (關於印發<營業稅改征增值稅試點方案>的通知) (“**Pilot Proposals**”) issued by the Ministry of Finance and SAT on 16 November 2011, the transformation from business tax to VAT will take effect on 1 January 2012 in pilot business of pilot areas. Pursuant to the Pilot Proposals, two levels of low VAT rates of 11% and 6% are added in the current VAT rates which are 17% and 13% respectively. The tax rate for business such as the transportation business and the construction business is 11% and the tax rate for certain other modern service business is 6%.

LABOUR AND SOCIAL INSURANCE

Employment Contract Law

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and became effective on 1 January 2008. This law governs the establishment of employment relationships between employers and employees, the conclusion, performance and termination of employment contracts and the amendment to employment contracts. To establish an employment relationship, a written employment contract must be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract shall be signed within one month after the date on which the employer first engages the employee.

According to the Employment Law of the PRC (中華人民共和國勞動法) promulgated on 5 July 1994 and effective on 1 January 1995, enterprises and institutions shall establish and perfect their system of work place safety and sanitation, strictly abide by state rules and standards on work place safety,

REGULATORY OVERVIEW

educate labourers in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide labourers with a safe work place and sanitation conditions which are in compliance with state stipulations and the relevant articles of labour protection.

Laws and Regulations on Social Insurances

As required under Regulation of Insurance for Labor Injury (工傷保險條例) which was amended on 8 December 2010 and took effect from 1 January 2011, Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法) which were promulgated on 14 December 1994 and took effect from 1 January 1995, Regulation of Unemployment Insurance (失業保險條例) which were promulgated on and took effect from 22 January 1999, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) which was promulgated on and took effect from 22 January 1999 and the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法) which was promulgated on and took effect from 19 March 1999, enterprises are required to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. An enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the noncompliance by the stipulated deadline set out by the government authorities, it can be assessed a late fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, on 28 October 2010, National People's Congress Standing Committee promulgated the PRC Social Insurance Law (中華人民共和國社會保險法), which became effective on 1 July 2011, to clarify the contents of the social insurance system in the PRC. According to the PRC Social Insurance Law, employees within the PRC must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. According to this law, employees who come from rural area shall participate in social insurance and foreigners working in the PRC may also participate in social insurance. An employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer still fails to rectify the failure to make social insurance contributions within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

Laws and Regulations on Housing Provident Fund

According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), which became effective on 3 April 1999 and amended on 24 March 2002, enterprises in the PRC must undertake registration at the competent managing center of housing fund and then, upon the examination by such managing center of housing fund, undergo the procedures of opening the account of housing fund for their employees at the relevant banks. Enterprises are also obliged to pay and deposit housing fund in full amount in a timely manner. An enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

REGULATORY OVERVIEW

REGULATION ON FOREIGN EXCHANGE CONTROL AND DIVIDEND DISTRIBUTION

Regulation on Foreign Exchange Control

Foreign exchange regulations in the PRC are primarily governed by the following regulations:

- PRC Foreign Exchange Administration Rules (中華人民共和國外匯管理條例), (“**Exchange Rules**”), promulgated by the State Council on 29 January 1996, which was amended on 14 January 1997 and on 5 August 2008 respectively; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), (“**Administration Rules**”), promulgated by the People’s Bank of China on 20 June 1996.

Under the Exchange Rules, RMB is freely convertible only to the extent of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. As for capital account items, such as direct investments, loans, security investments and the repatriation of investment returns, however, the conversion of foreign currency is still subject to the approval of, or registration with, the State Administration of Foreign Exchange, or the “SAFE”, or its competent local branches; while for the foreign currency payments for current account items, the SAFE approval is not necessary for the conversion of RMB except as otherwise explicitly provided by laws and regulations. Under the Administration Rules, enterprises may only buy, sell or remit foreign currencies at banks that are authorised to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of the PRC are also subject to limitations, which include approvals by MOFCOM, SAFE and NDRC, or their respective competent local branches. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a band against a basket of certain foreign currencies.

On 29 August 2008, the SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), or SAFE Circular 142. Pursuant to SAFE Circular 142, the RMB capital obtained from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the applicable administrative authority and unless it is otherwise provided by law, such RMB capital cannot be used for domestic equity investment. Documents certifying the purposes of the settlement of foreign currency capital into RMB, including a business contract, must also be submitted for the settlement of the foreign currency. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without SAFE’s approval, and such Renminbi capital may not be used to repay Renminbi loans if such loans have not been used. Violations of the SAFE Circular 142 could result in severe monetary fines or penalties.

Regulation on Dividend Distribution

The principal laws and regulations governing distribution of dividends of foreign holding companies include the Company Law of the PRC (中華人民共和國公司法) promulgated by the National People’s Congress Standing Committee in 1993 and amended in 1999, 2004 and 2005, the Foreign Investment

REGULATORY OVERVIEW

Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated by the National People's Congress Standing Committee in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law (外資企業法實施細則) promulgated by the State Council in 1990 and amended in 2001.

Under these laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in China, like our PRC subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

REGULATION ON FOREIGN EXCHANGE REGISTRATION OF OFFSHORE INVESTMENT BY PRC RESIDENTS

On 21 October 2005, the SAFE issued the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“**SAFE Circular No. 75**”), which went into effect on 1 November 2005. The SAFE Circular No.75 and the subsequent related implementation rules provide that if the PRC individual residents establish or acquire direct or indirect interest of the offshore special purpose vehicle or the offshore SPVs, for the purpose of financing these offshore SPVs with assets of, or equity interests in, an enterprise in the PRC, or inject assets or equity interests of the PRC entities into the offshore SPVs, they must register with local SAFE branches with respect to their investments in the offshore SPVs. The SAFE Circular No.75 also requires the PRC individual residents to file changes to their registration if their offshore SPVs undergo material events such as capital increase or decrease, share transfer or exchange, merger or division, long-term equity or debt investments, and provision of guarantee to a foreign party. The SAFE subsequently issued relevant guidance to its local branches with respect to the operational process for the SAFE registration under the SAFE Circular No.75, which standardized more specific and stringent supervision on the registration relating to the SAFE Circular No.75 and imposed obligations on the onshore subsidiaries of the offshore SPVs to coordinate with and supervise the PRC individual residents holding direct or indirect interest in the offshore SPVs to complete the SAFE registration process. Under the relevant SAFE rules, failure to comply with the registration procedures set forth in the SAFE Circular No.75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore companies of the offshore SPVs, including the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from such offshore entity, and may also subject relevant PRC residents and onshore company to penalties under the PRC foreign exchange administration regulations.

M&A REGULATIONS AND OVERSEAS LISTINGS

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, China Securities Regulatory Commission or the CSRC and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (“**M&A Rule**”), which became effective on 8 September 2006 and was amended on 22 June 2009. This M&A Rule, among other things, includes provisions that purport to require that a SPV formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC domestic companies or individuals obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

HISTORY AND DEVELOPMENT

HISTORY AND DEVELOPMENT

Introduction

Our Company was incorporated on 12 January 2012 in the Cayman Islands. As part of the Reorganisation, our Company became the holding Company of our Group. Our principal business, which is principally conducted through Success Guarantee, is the provision of financial and non-financial guarantee and financial consultancy services in the PRC.

Milestones in our business development

Our origin traces back to 26 December 1996, when Success Guarantee was established. Since establishment, the business scope of Success Guarantee was investment and information consultancy. We started engaging in the financial guarantee business in Foshan in 2004. Since then we have expanded our business and diversified our guarantee services.

Set out below are the milestones of our business development:

Year	Event
2004	We launched our financial guarantee business in Foshan
2007	We obtained “A+” credit rating from Foshan Pengyuan Credit Management Services Company Limited (佛山市鵬元信用管理服務有限公司) ^{Note 1}
2008	We obtained “A+” crediting rating from Guangdong Province SME Bureau (廣東省中小企業局), Guangdong Province Credit Guarantee (廣東省信用擔保協會) ^{Note 2} and Shanghai Far East Credit Rating Company Limited (上海遠東資信評估有限公司), respectively ^{Note 1}
2009	We were selected as one of the eight cooperating guarantee institutions by the Re-guarantee Company We were accredited as the large scale guarantee institution by the Ministry of Industry and Information Technology of People’s Republic of China (中華人民共和國工業和信息化部) Success Guarantee’s registered capital was increased to RMB200 million
2011	We were granted the Operating Licence for Financial Guarantee Institutions (融資性擔保機構經營許可證) We were accredited as “Model Institution of SME Financing Services in Guangdong Province (廣東省中小企業融資服務示範機構)” by the Guangdong Province SME Bureau We cooperated with a policy bank and a credit enhancement company in the issuance of the Foshan SME Bills We obtained “AA-” credit rating from Shanghai Far East Credit Rating Company Limited (上海遠東資信評估有限公司) ^{Note 1}

HISTORY AND DEVELOPMENT

We were awarded as Foshan People's Favourite Financial Institution in 2011 by Foshan Financial Culture Festival Organising Committee (佛山理財文化節組委會)

Success Guarantee's registered capital was increased to RMB250 million

Notes:

1. Our Group engaged two credit rating agencies in the PRC, namely, Foshan Pengyuan Credit Management Services Company Limited (佛山市鵬元信用管理服務有限公司) in 2007, and Shanghai Far East Credit Rating Company Limited (上海遠東資信評估有限公司) in 2008 and 2011, respectively, to assess our credit rating. Both credit rating agencies are Independent Third Parties. To the best of our Directors' understanding, our credit ratings were granted by such credit rating agencies pursuant to the assessing standards and procedures similar to the Implementation Plan for the Credit Rating of Small and Medium Enterprises Credit Guarantee Institutions in Guangdong Province (廣東省中小企業信用擔保機構信用評級工作實施方案) promulgated by Guangdong Province SME Bureau (廣東省中小企業局) in May 2008 (the "Implementation Plan"). Hence, there would not be any deviation in the assessing standards and procedures of the credit ratings of our Group. There is no mandatory requirement for our Group to be assessed annually, nor to be rated by the same credit rating agency in different years.

Taking into account of the assessing standards and procedures in relation to the credit ratings awarded to Success Guarantee, the Joint Sponsors consider that the rating classification of the rating agencies in the PRC is not in line with international ratings.

2. In 2008, Guangdong Province SME Bureau (廣東省中小企業局) and Guangdong Province Credit Guarantee (廣東省信用擔保協會) reviewed all the financial guarantee companies in Guangdong Province which provided financial guarantee services to small and medium enterprises pursuant to the Implementation Plan. Our Group obtained "A+" credit rating after such review.

Our Group members

(a) *Our operating subsidiary — Success Guarantee*

Success Guarantee, our operating subsidiary, was established in Foshan on 26 December 1996 as a limited liability company to engage in the provision of financial services in Guangdong Province.

Success Guarantee was established with an initial registered capital of RMB3.5 million, whose business scope was investment and information consultancy. Upon establishment, Success Guarantee was owned as to 86% by Foshan Xinhai (being a collective ownership enterprise (集體所有制企業)) and 14% by Foshan Gaofeng (being a limited liability company ultimately owned by certain state-owned enterprises). Mr. Zhang, Mr. Xu and Mr. Pang were appointed as the representatives of Foshan Xinhai to participate in the matters of Success Guarantee.

In December 1997, Success Guarantee's registered capital was increased by RMB11.5 million, of which RMB10.5 million was contributed by Foshan Zhongrui and RMB1 million by Foshan Gaofeng. As a result, Success Guarantee became owned as to 70% by Foshan Zhongrui, 20% by Foshan Xinhai and 10% by Foshan Gaofeng. At that time, Foshan Zhongrui was owned as to 51% by Mr. Zhang, 25% by Mr. Xu and 24% by Mr. Pang.

In August 1999, Foshan Zhongrui further contributed RMB4.5 million to the registered capital of Success Guarantee. As a result, Success Guarantee became owned as to 76.9% by Foshan Zhongrui, 15.5% by Foshan Xinhai and 7.6% by Foshan Gaofeng.

HISTORY AND DEVELOPMENT

In February 2001, Foshan Zhongrui and Foshan Xinhai agreed to transfer their equity interests in Success Guarantee to Mr. Zhang, Mr. Xu and Mr. Pang for considerations of RMB18 million in aggregate (which were determined with reference to the registered capital of Success Guarantee) so that after completion of the transfers, Success Guarantee became owned as to 30.8% by Mr. Zhang, 30.8% by Mr. Xu, 30.8% by Mr. Pang and 7.6% by Foshan Gaofeng.

In April 2003, Foshan Gaofeng transferred its 7.6% equity interests in Success Guarantee to Mr. Zhang for a consideration of RMB1.5 million (which was determined with reference to the registered capital of Success Guarantee); the registered capital of Success Guarantee was also increased to RMB32 million, of which RMB8.82 million was contributed by Mr. Zhang, RMB2 million by Mr. Xu and RMB1.68 million by Mr. Pang. As a result of the aforesaid transfers and capital injections, Success Guarantee became owned as to 51% by Mr. Zhang, 25% by Mr. Xu and 24% by Mr. Pang.

From September 2003 to February 2009, Mr. Zhang, Mr. Xu and Mr. Pang had made a number of capital injections into Success Guarantee in proportion to their respective equity interests in Success Guarantee. As a result, the registered capital of Success Guarantee increased from RMB32 million in April 2003 to RMB200 million in February 2009.

In July 2010, the following transfers of the equity interests in Success Guarantee were made:

- Mr. Zhang transferred 10.2% equity interests to Mr. He for a consideration of RMB20.4 million;
- Mr. Zhang transferred 2.55% equity interests to Mr. Chen for a consideration of RMB5.1 million;
- Mr. Xu transferred 5% equity interests to Mr. He for a consideration of RMB10 million;
- Mr. Xu transferred 1.25% equity interests to Mr. Chen for a consideration of RMB2.5 million;
- Mr. Pang transferred 4.8% equity interests to Mr. He for a consideration of RMB9.6 million; and
- Mr. Pang transferred 1.2% equity interests to Mr. Chen for a consideration of RMB2.4 million.

The above considerations were determined with reference to the registered capital of Success Guarantee. As a result, the registered capital of Success Guarantee became owned as to 38.25% by Mr. Zhang, 18.75% by Mr. Xu, 20% by Mr. He, 18% by Mr. Pang and 5% by Mr. Chen.

In March 2011, Mr. Zhang, Mr. Xu, Mr. He, Mr. Pang and Mr. Chen made a capital injection of RMB50 million into Success Guarantee in proportion to their respective equity interests in Success Guarantee. As a result, the registered capital of Success Guarantee increased from RMB200 million to RMB250 million.

In September 2012, Mr. Zhang, Mr. Xu, Mr. He, Mr. Pang and Mr. Chen transferred all their equity interests in Success Guarantee to Success Asset for an aggregate consideration of RMB275 million (which was determined with reference to the net asset value of Success Guarantee as at 31 December 2011) as part of the Reorganisation (please see the section headed “Reorganisation — Reorganisation steps — Acquisition of the entire equity interests in Success Guarantee by Success Asset from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen”).

Each of the aforesaid increases in registered capital and transfers of equity interests in Success Guarantee was properly and legally completed and settled pursuant to relevant PRC statutory requirements.

HISTORY AND DEVELOPMENT

The name of Success Guarantee had undergone certain changes, the details of which are set out below:

- 26 December 1996 : name as at the date of establishment 佛山市集成投資實業有限公司 (Foshan Success Investment Industrial Company Limited*)
- 12 January 2004 : changed to 佛山市集成投資擔保有限公司 (Foshan Success Investment Guarantee Company Limited*)
- 15 June 2006 : changed to 廣東集成投資擔保有限公司 (Guangdong Success Investment Guarantee Company Limited*)
- 8 April 2011 : changed to 廣東集成融資擔保有限公司 (Guangdong Success Finance Guarantee Company Limited*)

(b) *Our Company and our investment holding subsidiaries*

(i) *Our Company*

Our Company was incorporated in the Cayman Islands on 12 January 2012 as an exempted limited liability company with an authorised share capital of HK\$8,000,000 divided into 800,000,000 Shares of HK\$0.01 each. As a result of the Reorganisation and before completion of the Global Offering, our Company was owned as to 38.25% by Mr. Zhang, 18.75% by Mr. Xu, 20% by Mr. He, 18% by Mr. Pang and 5% by Mr. Chen through their respective holding company incorporated in the BVI. Please see the section headed “Reorganisation — Reorganisation steps — Setting up of our Company and the offshore investment holding structure — Incorporation of our Company” in this prospectus.

(ii) *Success Asset*

Success Asset, our investment holding subsidiary, was established in Foshan on 23 June 2004 as a limited liability company. At the time of establishment, Success Asset had a registered capital of US\$1 million, which was owned as to 55% by Yinhe Motor, 25% by IBF and 20% by Daihing.

In May 2005, IBF transferred 25% equity interests in Success Asset to AXLE for a consideration of US\$250,000 (which was determined with reference to the registered capital of Success Asset). As a result, the registered capital of Success Asset became owned as to 55% by Yinhe Motor, 25% by AXLE and 20% by Daihing.

In June 2007, the registered capital of Success Asset was reduced from US\$1 million to US\$928,168. As a result, the registered capital of Success Asset became owned as to 59.26% by Yinhe Motor, 26.93% by AXLE and 13.81% by Daihing.

During May 2012 to November 2012, Yinhe Motor, AXLE and Daihing transferred their respective equity interests in Success Asset to Success Finance, and Shunde Zhongcheng subscribed for 1% equity interests in Success Asset with premium as part of the Reorganisation. Please see the sections headed “Reorganisation — Reorganisation steps — Equity restructuring of Success Asset” and “Reorganisation — Reorganisation steps — Subscription of 1% equity interests in Success Asset by Shunde Zhongcheng” in this prospectus. As a result, the registered capital of Success Asset became owned as to 99% by Success Finance and 1% by Shunde Zhongcheng.

Each of the aforesaid changes in registered capital and transfers of equity interests in Success Asset was properly and legally completed and settled pursuant to relevant PRC statutory requirements.

HISTORY AND DEVELOPMENT

The name of Success Asset had been changed, the details of which are set out below:

- 23 June 2004 : name as at the date of establishment was 佛山市順德銀河電動車有限公司 (Foshan Shunde Yinhe Electric Car Company Limited*)
- 1 August 2012 : changed to 佛山市集成資產管理有限公司 (Foshan Success Asset Management Company Limited*)

(iii) Success Finance

Success Finance was incorporated in Hong Kong on 18 November 2011 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. As a result of the Reorganisation, Double Chance has become the owner of the entire issued share capital of Success Finance. Please see the section headed “Reorganisation — Reorganisation steps” in this prospectus.

(iv) Double Chance

Double Chance was incorporated in the BVI on 8 February 2012 as a limited liability company and was authorised to issue up to 50,000 shares of par value of US\$1 each. As a result of the Reorganisation, our Company has become the sole shareholder of Double Chance. Please see the section headed “Reorganisation — Reorganisation steps” in this prospectus.

Acquisitions and disposals

(a) *Disposal of 40% equity interests in Success Credit Rating by Success Guarantee*

Pursuant to the equity transfer agreement entered into between Success Guarantee and Foshan Finance dated 21 November 2011, Success Guarantee disposed of 40% equity interests in 佛山市集成資信評估有限公司 (Foshan Success Credit Rating Company Limited*) (“**Success Credit Rating**”), a company engaged in the provision of credit rating services, to Foshan Finance for a consideration of RMB4 million (which was determined with reference to the registered capital of Success Credit Rating) to optimise our resources allocation.

Foshan Finance is a related party of our Group established on 8 September 2010 which is owned as to 51% by Mr. Zhang, 25% by Mr. Xu and 24% by Mr. Pang to engage in, amongst other financial related services, investment in the modern financial industry; investment in the financial services industry; capital management; asset management; business in the sales of insurance products, etc.

(b) *Disposal of 51% equity interests in Success Futures by Success Guarantee*

Please see the section headed “Reorganisation — Reorganisation steps — Disposal of 51% equity interests in Success Futures, a joint venture, by Success Guarantee” in this prospectus.

(c) *Acquisition of 18.18% equity interests in Success Credit by Success Guarantee*

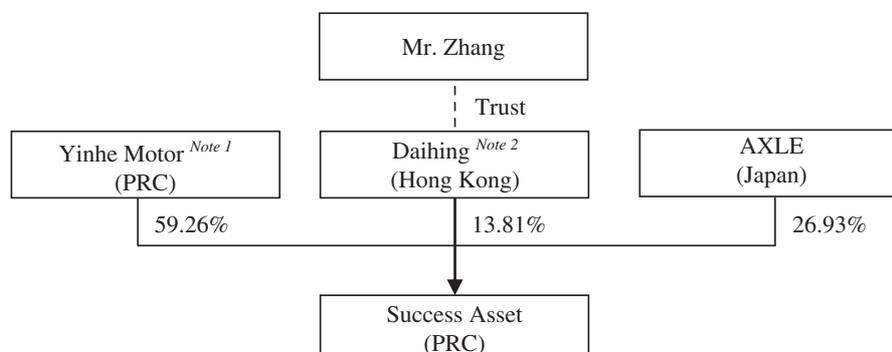
Please see the section headed “Reorganisation — Reorganisation steps — Acquisition of 18.18% equity interests in Success Credit by Success Guarantee” in this prospectus.

REORGANISATION

GROUP STRUCTURE PRIOR TO THE IMPLEMENTATION OF THE REORGANISATION

Prior to the Reorganisation, the corporate and equity structures of our Group were as follows:

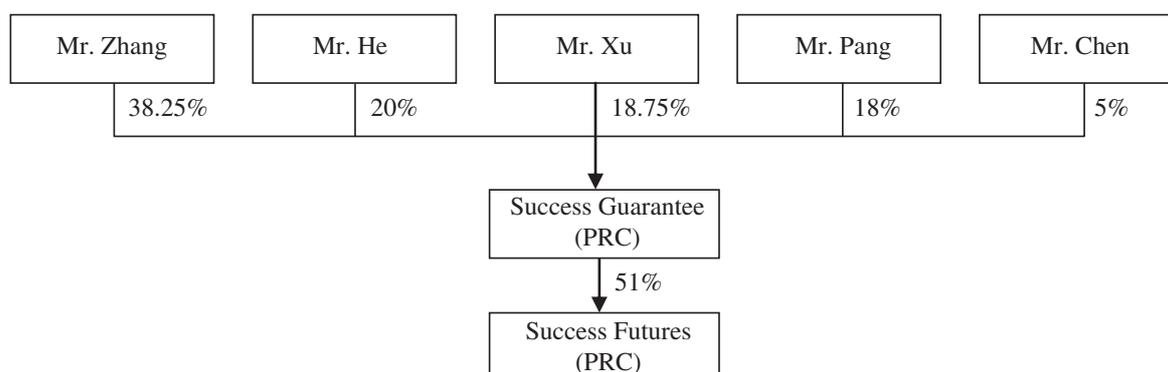
(a) Success Asset



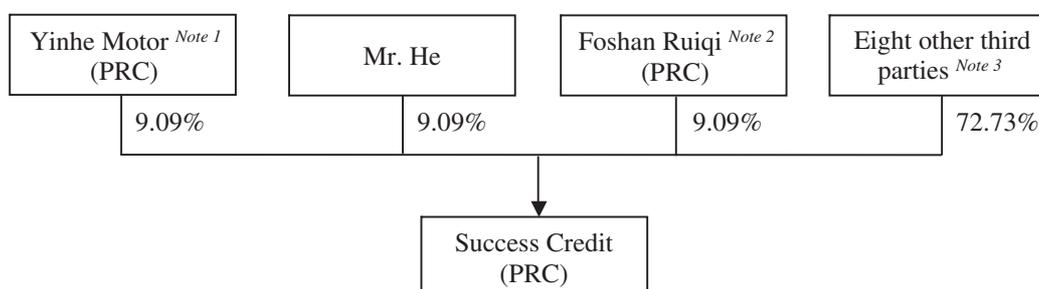
Notes:

1. Yinhe Motor is a limited liability company established under the laws of the PRC on 24 October 2000 which is owned as to 23.18% by Guangdong Jiayou and 76.82% by Success Holdings.
2. Mr. Zhang provided the capital which Daihing contributed to Success Asset. Pursuant to a trust agreement dated 2 March 2012 entered into between Daihing and Mr. Zhang, Daihing held 13.81% equity interests in Success Asset on trust for Mr. Zhang.

(b) Success Guarantee and Success Futures



(c) Success Credit



Notes:

1. Yinhe Motor is a limited liability company established under the laws of the PRC on 24 October 2000 which is owned as to 23.18% by Guangdong Jiayou and 76.82% by Success Holdings.
2. Foshan Ruiqi a limited liability company established under the laws of the PRC on 1 June 2000 which is owned as to 49% by Long Xueping and 51% by Liu Zhizhong, both are Independent Third Parties.
3. Other third parties are Independent Third Parties of our Group.

REORGANISATION

REORGANISATION STEPS

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing. The Reorganisation involved the following steps:

(a) ***Disposal of 51% equity interests in Success Futures, a joint venture, by Success Guarantee***

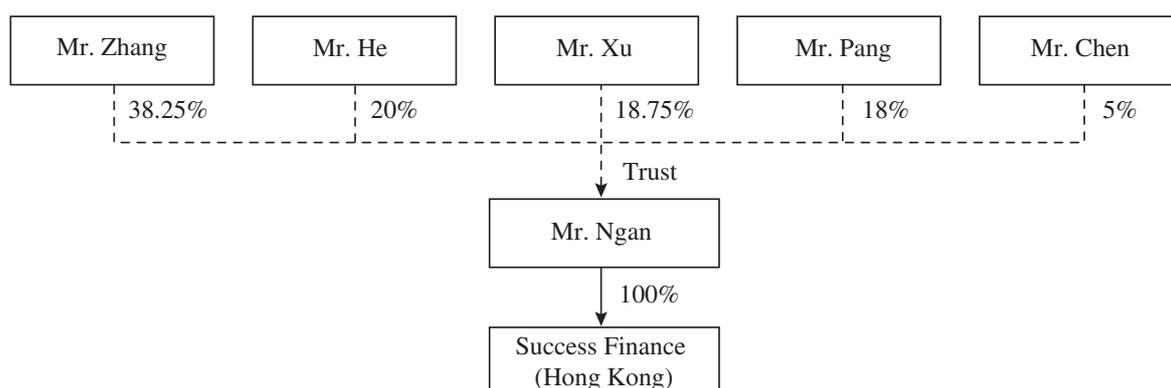
Success Futures is a joint venture operating under a joint control/arrangement over the economic activities of Success Futures between us and two other shareholders to optimise our business resources. Pursuant to the equity transfer agreement dated 20 June 2012 and entered into between Success Guarantee and Foshan Finance, Success Guarantee transferred 51% equity interests in Success Futures to Foshan Finance, for a cash consideration of RMB30,948,664.83, which was determined based on the net asset value of Success Futures as at 31 December 2011. Upon completion, Success Guarantee ceased to hold any equity interests in Success Futures.

(b) ***Equity restructuring of Success Asset***

(i) ***Incorporation of Success Finance***

On 18 November 2011, Success Finance was incorporated under the laws of Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares each with a par value of HK\$1. On the same date, one share with a par value of HK\$1 was issued and allotted to the first subscriber, an Independent Third Party, for cash at par. On 30 December 2011, the first subscriber's share was transferred to Mr. Ngan at par, who held such share on trust for Mr. Zhang. On the same day, Success Finance issued and allotted 9,999 shares each with a par value of HK\$1 to Mr. Ngan for cash at par, which were held on trust as to 3,824 shares for Mr. Zhang, 2,000 shares for Mr. He, 1,875 shares for Mr. Xu, 1,800 shares for Mr. Pang and 500 shares for Mr. Chen.

Set forth below is the corporate and equity structure of Success Finance upon completion of the above:



(ii) ***Acquisition of 13.81% and 26.93% equity interests in Success Asset by Success Finance from Daihing and AXLE respectively***

Pursuant to two equity transfer agreements dated 28 February 2012 entered into by Success Finance with Daihing and AXLE, respectively, Success Finance acquired 13.81% and 26.93%

REORGANISATION

equity interests in Success Asset from Daihing and AXLE for cash considerations of US\$136,250 and US\$265,683, respectively, which were determined with reference to the capital contributed by Daihing and AXLE, respectively and the net asset value of Success Asset as at 31 December 2011.

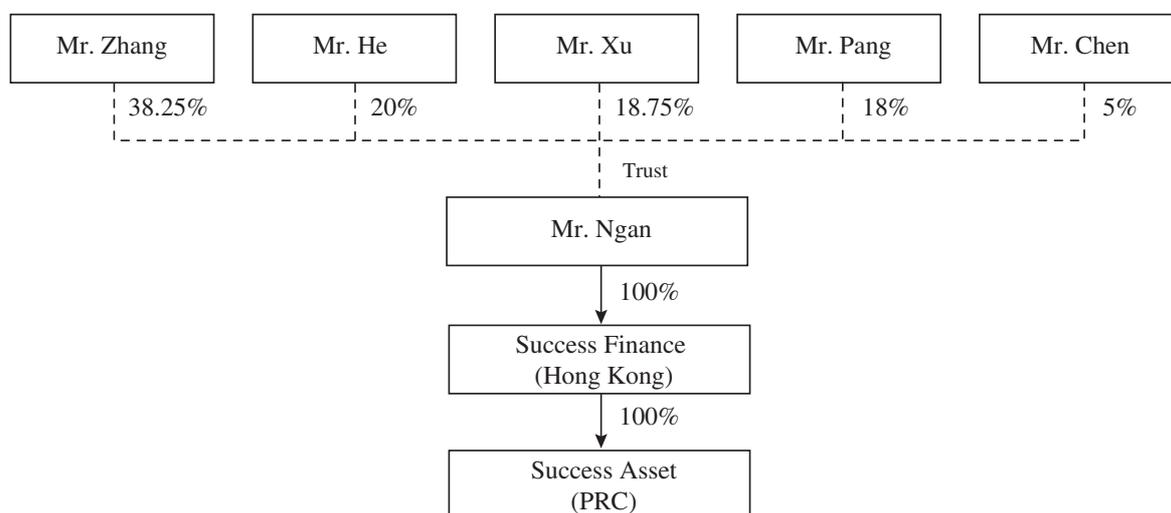
(iii) *Increasing the capital of the Success Asset*

Pursuant to the agreement dated 15 March 2012 entered into between Yinhe Motor and Success Finance, the registered capital of Success Asset changed from US\$928,168 to RMB7,682,354 as a result of change in denomination of Success Asset's registered capital from US\$ to RMB. The registered capital of Success Asset was then increased by RMB116,335,629 to RMB124,017,983, among which RMB86,335,629 was contributed by Yinhe Motor by cash, and RMB30,000,000 was contributed by Success Finance by cash. As a result, Success Asset became owned as to 73.29% by Yinhe Motor and 26.71% by Success Finance.

(iv) *Acquisition of 73.29% equity interests in Success Asset by Success Finance from Yinhe Motor*

Pursuant to the equity transfer agreement dated 29 May 2012, Yinhe Motor transferred 73.29% equity interests in Success Asset to Success Finance for a cash consideration of RMB90,887,924, which was determined with reference to the capital contributed by Yinhe Motor, and the net asset value of Success Asset. Upon completion of the acquisition, Success Asset became a wholly-owned subsidiary of Success Finance.

Set forth below is the corporate and equity structure of Success Asset upon completion of the above:



(v) *Loans advanced by Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen to Success Finance*

For the purpose of financing the acquisitions of the equity interests in Success Asset by Success Finance, Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen (the shares were held on trust by Mr. Ngan), based on their then respective shareholdings in Success Finance, advanced certain

REORGANISATION

loans in the aggregate amount equivalent to approximately RMB132.2 million to Success Finance, which were evidenced by a promissory note dated 14 March 2013 and subsequently waived by each of them by a deed of waiver dated 14 March 2013 with effect from 31 December 2012.

(c) ***Setting up of our Company and the offshore investment holding structure***

(i) ***Setting up offshore investment holding companies for Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen in the BVI respectively***

For the purpose of the Reorganisation, Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen set up their respective offshore investment holding companies in the BVI. Details of the BVI investment holding companies are set out below:

Sole owner of the BVI company	Name of the BVI company
Mr. Zhang	Expert Depot
Mr. He	New Maestro
Mr. Xu	Bliss Success
Mr. Pang	Novel Heritage
Mr. Chen	Insider Solution

(ii) ***Incorporation of our Company***

On 12 January 2012, our Company was incorporated under the laws of the Cayman Islands as exempted limited liability company with an authorised share capital of HK\$8,000,000 divided into 800,000,000 Shares each with a par value of HK\$0.01. On the same date, one share with a par value of HK\$0.01 was issued and allotted to the first subscriber, an Independent Third Party, for cash at par.

On 16 January 2012, the first subscriber's Share was transferred to Expert Depot for cash at par value of HK\$0.01. On the same day, our Company issued and allotted, for cash at a par value of HK\$0.01 each, 3,824 Shares to Expert Depot, 2,000 Shares to New Maestro, 1,875 Shares to Bliss Success, 1,800 Shares to Novel Heritage and 500 Shares to Insider Solution.

(iii) ***Incorporation of Double Chance***

On 8 February 2012, Double Chance was incorporated under the laws of the BVI as a limited liability company and was authorised to issue 50,000 shares each with a par value of US\$1. On 24 February 2012, one share with a par value of US\$1 was issued and allotted to our Company for cash at par.

(d) ***Acquisition of the entire issued share capital of Success Finance by Double Chance from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen***

On 3 September 2012, Double Chance acquired 10,000 shares of Success Finance with a par value of HK\$1 each from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen, in consideration of which Double Chance, at the direction of Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen, issued and allotted 10,000 shares of US\$1 each, credited as fully paid-up, to our Company.

REORGANISATION

(e) Acquisition of the entire equity interests in Success Guarantee by Success Asset from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen

Pursuant to five equity transfer agreements dated 4 September 2012 and entered into by Success Asset with each of Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen, respectively, Success Asset acquired the entire equity interests in Success Guarantee from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen for cash considerations of RMB275 million in aggregate, which were determined with reference to net asset value of Success Guarantee as at 31 December 2011. Upon completion, Success Guarantee became a wholly-owned subsidiary of Success Asset.

(f) Subscription of 1% equity interests in Success Asset by Shunde Zhongcheng

For the purpose of financing the acquisition of the equity interests in Success Guarantee by Success Asset^{Note}, Shunde Zhongcheng was established in PRC on 31 August 2012 as a limited liability company, which is owned as to 38.25% by Mr. Zhang, 20% by Mr. He, 18.75% by Mr. Xu, 18% by Mr. Pang and 5% by Mr. Chen.

Pursuant to the loan agreement dated 31 August 2012, Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen, based on their respective shareholdings in Shunde Zhongcheng, advanced loans of RMB177 million in aggregate to Shunde Zhongcheng.

Pursuant to the subscription agreement dated 6 September 2012 entered into between Shunde Zhongcheng and Success Finance, Shunde Zhongcheng contributed RMB182 million to Success Asset as its increase in registered capital from RMB124,017,983 to RMB125,270,000. As such, Success Asset had a capital reserve of RMB180,747,983, being the premium contributed by Shunde Zhongcheng. The capital reserve and cash reserve of Success Asset were used to settle in full the consideration payable by Success Asset to Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen for the acquisition of the entire equity interests in Success Guarantee.

Upon completion, Success Asset became a sino-foreign equity joint venture which was owned as to 99% by Success Finance and 1% by Shunde Zhongcheng.

We have been advised by our PRC Legal Advisers that the subscription of 1% equity interests in Success Asset by Shunde Zhongcheng was properly completed and settled pursuant to relevant PRC statutory requirements.

(g) Acquisition of 18.18% equity interests in Success Credit by Success Guarantee

Pursuant to two equity transfer agreements dated 10 December 2012 and entered into by Success Guarantee with Yinhe Motor and Foshan Ruiqi, respectively, Success Guarantee acquired 9.09% and

Note: To finance the acquisition of the equity interest in Success Guarantee by Success Asset, equity financing was more preferable than loan financing as it would not impose extra financial liabilities to our Group. However, since the relevant PRC laws and regulations (the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (Hui Zong Fa[2008] No. 142) (國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知) (匯綜發[2008]142號) and the Circular on the Operating Rules Concerning the Clarification of the People's Bank of China of Direct Investment in RMB Clearing Business by Foreign-Invested Enterprises (Yin Fa[2012] No. 165) (中國人民銀行關於明確外商直接投資人民幣結算業務操作細則的通知)(銀發[2012]165號)) prohibit the purchase of equity interest in PRC using offshore funds, the equity financing cannot be obtained through the offshore companies in our Group, but have to be obtained within the PRC. Hence, our Directors decided to establish a PRC company which shareholding would mirror the shareholding of our Company to provide the equity financing to Success Asset for its acquisition of Success Guarantee.

REORGANISATION

9.09% equity interests in Success Credit from Yinhe Motor and Foshan Ruiqi, respectively, for cash considerations of RMB18,913,380 and RMB18,913,380, respectively, which were determined with reference to the net assets value of Success Credit as at 31 December 2011.

Upon completion, Success Guarantee held 18.18% equity interests in Success Credit.

PRC LEGAL COMPLIANCE

M&A Rules

On 8 August 2006, six PRC governmental and regulatory authorities, including the Ministry of Commerce of the PRC (“**MOFCOM**”), China Securities Regulatory Commission (“**CSRC**”) and the State Administration of Foreign Exchange (“**SAFE**”), jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (“**M&A Rules**”), which became effective on 8 September 2006 and was amended on 22 June 2009. The M&A Rules includes provisions which stipulate that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. The M&A Rules is applicable if there is a “takeover of a domestic enterprise by a foreign investor”, which has been defined in Article 2 of the M&A Rules as the situations where (i) a foreign investor purchases the equity interests of a domestic non-foreign-invested enterprise (“**domestic enterprise**”) or subscribes to the increased capital of a domestic enterprise, and thus changes the domestic enterprise into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise, through which such 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 uses such assets to invest in and establish a foreign-invested enterprise through which it operates the assets.

As advised by our PRC Legal Advisers, the M&A Rules does not apply to our Reorganisation, and the Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules for the following reasons:

- (i) Success Asset was established as a Sino-foreign equity joint venture in 2004, which was before the promulgation and implementation of the M&A Rules. Therefore the acquisition of the equity interests in Success Asset, in part or in whole, by Success Finance shall not be subject to the M&A Rules and did not constitute a “takeover of a domestic enterprise by a foreign investor” as defined in the M&A Rules; and
- (ii) pursuant to a trust agreement dated 2 March 2012 and entered into between Daihing and Mr. Zhang, Daihing held the equity interests in Success Asset on trust for Mr. Zhang since the establishment of Success Asset. As Mr. Zhang held the equity interests in Success Asset before the promulgation and implementation of the M&A Rules, Success Asset would not be regarded as a domestic enterprise as stated in the M&A Rules and shall not be subject to the M&A Rules.

SAFE Circular No.75

On 21 October 2005, the SAFE issued the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“**SAFE Circular No. 75**”), which became effect on 1 November 2005. The

REORGANISATION

SAFE Circular No.75 requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the SAFE Circular No.75 as an “overseas special purpose vehicle”, outside of PRC for the purpose of capital financing with assets or interests in PRC, and to register again after completing an investment in or acquisition of any operating subsidiaries in PRC, which is known as a round-trip investment. Also, any material capital alteration, such as capital increase or decrease, merger or division, in such overseas special purpose vehicle involving no round-trip investment shall be registered or filed within 30 days starting from the date of shareholding transfer or capital alteration.

As advised by our PRC Legal Advisers, Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen, who are PRC residents and the ultimate beneficial owners of the Company, have completed the following SAFE registration in accordance with the SAFE Circular No. 75:

- (i) Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen have completed the SAFE registration, respectively, on 17 July 2012 in accordance with SAFE Circular No.75 in respect of the reorganisation step stated in the section headed “Reorganisation — Reorganisation steps — Setting up of our Company and the offshore investment holding structure — Setting up offshore investment holding companies for Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen in the BVI respectively” in this prospectus; and
- (ii) Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen have completed the SAFE registration, respectively, on 6 January 2013 in accordance with the SAFE Circular No.75 in respect of the reorganisation step stated in the sections headed “Reorganisation — Reorganisation steps — Equity restructuring of Success Asset — Acquisition of 13.81% and 26.93% equity interests in Success Asset by Success Finance from Daihing and AXLE respectively” and “Reorganisation — Reorganisation steps — Equity restructuring of Success Asset — Acquisition of 73.29% equity interests in Success Asset by Success Finance from Yinhe Motor”.

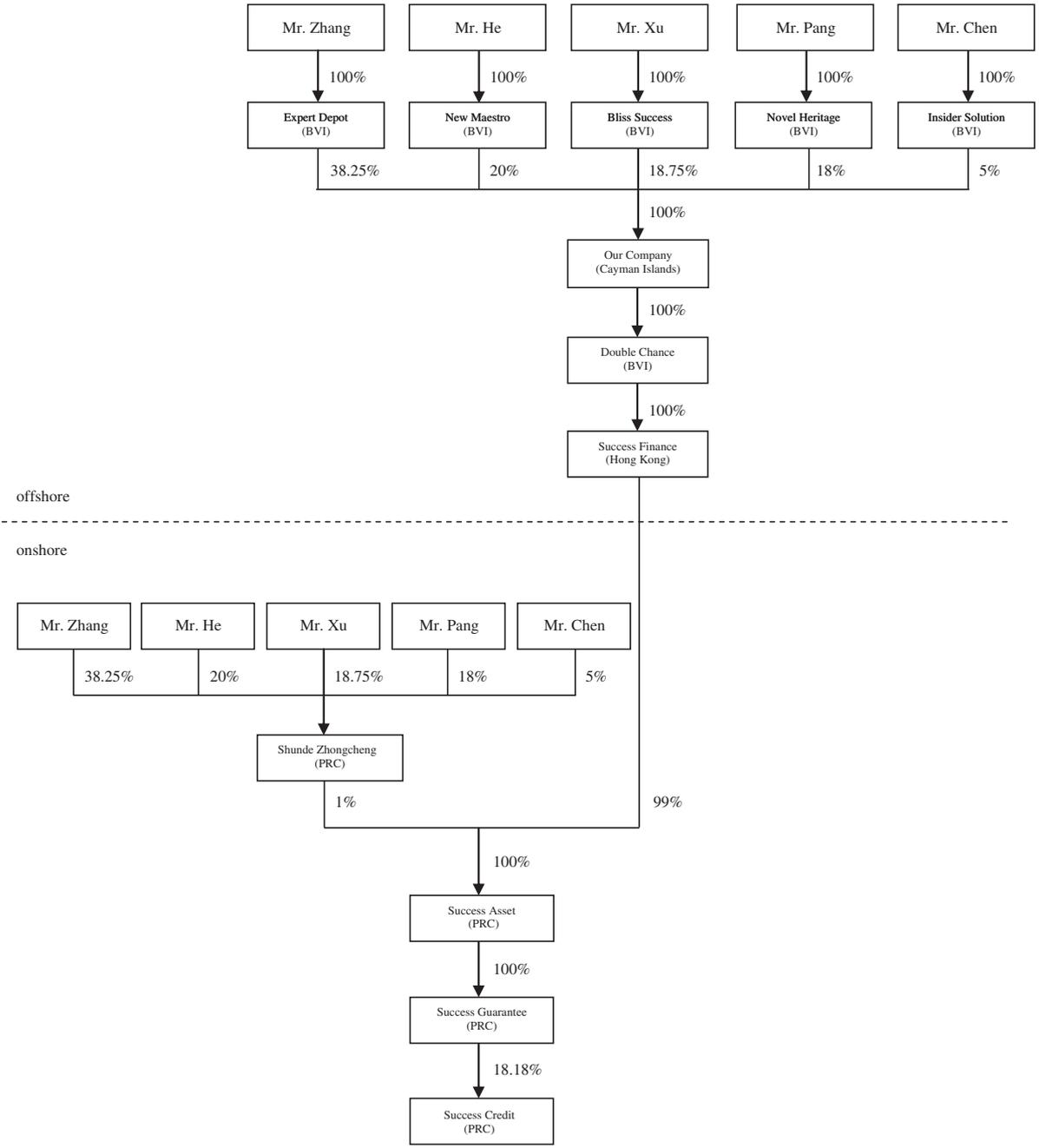
We have been advised by our PRC Legal Advisers that the reorganisation step stated in the section headed “Reorganisation — Reorganisation steps — Subscription of 1% equity interests in Success Asset by Shunde Zhongcheng” requires SAFE registration pursuant to the SAFE Circular No.75. Our PRC Legal Advisers confirmed that notwithstanding that such SAFE registration is yet to complete, there is no legal impediment toward the successful completion of SAFE registration in accordance with the SAFE Circular No. 75.

Our PRC Legal Advisers have also confirmed that (i) we have obtained all approvals and permits, if required, under PRC statutory requirements and the understandings with relevant PRC regulatory authorities in connection with each of the reorganisation steps under the Reorganisation and the Listing; and (ii) each of the reorganisation steps under the Reorganisation was properly completed and settled pursuant to relevant PRC statutory requirements.

REORGANISATION

GROUP STRUCTURE IMMEDIATELY BEFORE THE GLOBAL OFFERING

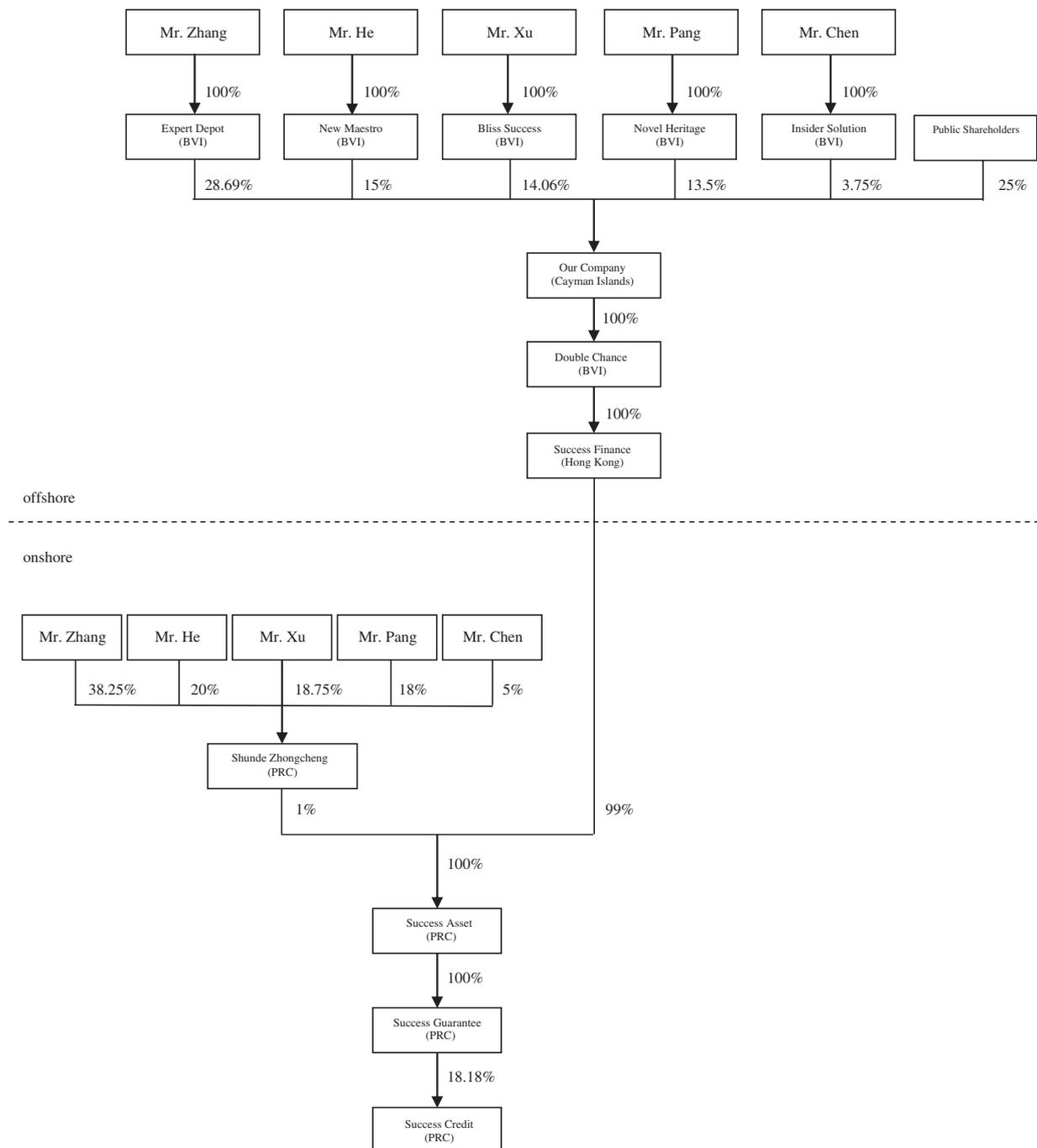
Set forth below is the corporate and equity structure of our Group after completion of the Reorganisation and immediately prior to the completion of the Global Offering:



REORGANISATION

GROUP STRUCTURE IMMEDIATELY AFTER THE GLOBAL OFFERING

The corporate and equity structure of our Group immediately following completion of the Global Offering (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes) are set out below:



BUSINESS

BUSINESS OVERVIEW

We are a leading guarantee service provider offering financial and non-financial guarantee services and financial consultancy services in Foshan City, the PRC. We aim to provide integrated financial services to enterprises, mainly SMEs, in China to assist them to improve their overall fund-raising capabilities and enable them to obtain funding for business development.

According to the Ipsos Research Report commissioned by our Company, Success Guarantee, our operating PRC subsidiary, in terms of revenue in 2012, ranked the third largest and the largest privately-controlled financial guarantee service provider in Guangdong Province and Foshan City respectively, and ranked the seventh and the second largest financial guarantee service provider among all financial guarantee service providers in Guangdong Province and Foshan City respectively. Success Guarantee was accredited as “Model Institution of SME Financing Services in Guangdong Province” (廣東省中小企業融資服務示範機構) by the Guangdong Province SME Bureau (廣東省中小企業局) in 2011.

In respect of financial guarantee services, our Group mainly facilitates SMEs’ financing exercises by acting as the guarantor for the SMEs to enable them to secure credit facilities from lending banks and other financial institutions. Further, we provide a variety of other guarantee services to suit the various requirements of lending banks or institutions and the needs of our customers, and we are fast in adapting ourselves in providing new type of guarantee services to meet the changing and emerging market demand for different kinds of guarantee services. In particular, we provided guarantee services through the following modes of cooperation:

- **Cooperation with the Re-guarantee Company:** we were selected as one of the first eight cooperating guarantee institutions by the Re-guarantee Company.
- **The Foshan SME Bills:** we provided guarantee services in the issue of the Foshan SME Bills, which was among the first batch of bills of such kind launched in the PRC.
- **The Foshan SME Trust Fund:** we cooperated with a trust company and provided guarantee services to SMEs receiving loans from the Foshan SME Trust Fund.
- **Issue of private placement bonds:** we cooperated with the Re-guarantee Company and provided guarantee services in an issue of private placement bonds by an SME (中小企業私募債).
- **Cooperation with government trust funds:** we were one of the enlisted financial guarantee companies in cooperative programmes organised by the local governments in the PRC for the purpose of assisting SMEs in obtaining financing, including the Eagle Scheme and the Flying Dragon Scheme.

During the Track Record Period, our Group had business relationships with 20 financial institutions, including a policy bank, state-owned commercial banks, joint-stock commercial banks, local commercial banks, rural banks, a provincial re-guarantee company and a trust company. The established cooperation with these banks and institutions, which have cooperated with us for one year to eight years, brought about new customers to us during the Track Record Period. We believe our initiation and ability to design and offer different kinds of guarantee services to match the requirements of lenders and the needs of borrowers also enable us to attract new and recurring customers as well as to foster our business cooperation with lending banks and other institutions.

BUSINESS

We believe our guarantee services enable our SME customers to obtain financing from banks more conveniently, easily and quickly. According to the Ipsos Research Report, in 2012 there were over 54 million SMEs in the PRC which represented approximately 99.6% of the total number of enterprises in the PRC. In Foshan City, the nation's tightening monetary policies led to tightened cash flow in SMEs which raises demand for financial guarantee services substantially. According to the Ipsos Research Report, by the end of 2012, the value of SME loans in Foshan City amounted to approximately RMB323.3 billion, which accounted for approximately 79.0% of the total corporate loans granted (exclusive of personal loans) in Foshan City. As a result of the tightened money supply, SMEs faced increasing difficulty in financing and rising operating costs. Banks may be more stringent when accepting collaterals and may not be willing to provide financing to SMEs as they may not have sufficient collateral and may be regarded by them as less creditworthy than large-scale enterprises; and in view of the amount of preparatory costs involved for the relatively small loan amount, banks may also not be willing to provide financing to SMEs from a cost-effectiveness perspective.

Hence, prospective SME borrowers may not be able to obtain financing from such banks without third party guarantee(s) or collaterals that are acceptable to them. With our established business relationships with banks and other institutions and our track record and reputation in the guarantee business industry in Foshan City, we believe our financial strength and credibility could in turn enhance our customers' overall creditability and thus their ability to obtain financing from such banks, and enable our customers to obtain financing from banks more speedily, conveniently and efficiently.

Our Group also provides our customers with non-financial guarantees, including performance guarantees in relation to, among others, the performance of payment obligations, under the agreements entered into between our customers and their counter-parties; and litigation guarantees in which we provide guarantee to the court that we will compensate the litigating counter-party for the loss incurred as a result of the freezing of such counter-party's property by the court as a result of our customers' inappropriate application for property preservation against such counter-party. We receive guarantee fees from customers for our financial and non-financial guarantees.

In addition to the provision of guarantee services, we also enter into separate financial consultancy services agreements with our customers and they pay us consultancy fees in return for our services. We provide tailor-made financial consultancy services by proposing different financing methods or products to our customers and assisting them to apply for financing. We may introduce them to our guarantee services depending on individual circumstances and if the customer satisfies our requirements and risk assessment criteria.

Risk management is an integral part to the success of our Group's business. Our risk management functions start from the determination of our Group's overall risk management strategies, pre-transaction due diligence and assessment, in-transaction risk evaluation, product design, pricing determination and counter-guarantee requirement design to post-transaction ongoing monitoring. Our risk control department is led by our risk control director, with more than 18 years of experience in the banking industry, together with over four years of experience in the guarantee industry. Our business operation department will perform pre-transaction assessment, due diligence investigation and further assessment on potential customers in accordance with our internal guidelines, and our risk management committee will also conduct on-site due diligence. Results of due diligence and recommendations from the business operations department will be reported to and reviewed by our risk control department and our risk management committee prior to potential customers being

BUSINESS

accepted by us for further processing and assessment. Our risk management committee will review the guarantee applications and decide whether such application will be approved. Post-transaction monitoring requirements including frequency of assessment and information to be obtained from the customer will also be included in the resolution approving the guarantee application. In connection with the guarantees we provide, we require our customers to provide various kinds of counter-guarantees to us, further information of which is set out in the section headed “Business — Internal control and risk management — Customised proposals for counter-guarantee measures” in this prospectus.

During the Track Record Period, most of our Group’s customers were SMEs which included, among others, manufacturers and construction enterprises. We source our customers through our sales and marketing efforts, through referrals from our cooperating banks and other institutions, and we also have recurring customers as well as referrals from our existing or past customers. Our participation in certain government cooperative programmes, including the Eagle Scheme and the Flying Dragon Scheme has also enabled us to broaden our clientele. We also believe our business relationships with banks and other financial institutions, recurring customers and referrals from our past or existing customers, and our participation in government cooperative programmes demonstrate our ability to cater our services to customers’ requirements and customers’ general satisfaction to our services which we believe, in turn, could generate further business opportunities for us.

Our Group’s revenue for the three years ended 31 December 2012 and the five months ended 31 May 2013 was approximately RMB35.1 million, RMB53.5 million, RMB57.1 million and RMB22.1 million respectively; and our Group’s profit attributable to equity shareholders of our Company during the same periods was approximately RMB25.8 million, RMB34.5 million, RMB47.7 million and RMB9.6 million respectively.

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

	Year ended 31 December			Five months ended 31 May	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
Income from financial guarantees	34,352	40,616	45,137	19,164	18,714
Income from litigation guarantees	298	1,528	405	130	259
Income from performance guarantees	461	378	602	228	267
Income from financial consultancy services	<u>—</u>	<u>11,006</u>	<u>10,994</u>	<u>2,548</u>	<u>2,831</u>
Revenue	<u>35,111</u>	<u>53,528</u>	<u>57,138</u>	<u>22,070</u>	<u>22,071</u>

BUSINESS

Apart from our guarantee services and financial consultancy services, we also provide small loans lending services through our investment in Success Credit, a limited liability company incorporated in the PRC held as to approximately 18.18% by Success Guarantee with a registered capital of RMB200 million and is principally engaged in provision of small loans financing to SMEs and individuals. Success Credit is treated as an associate of our Group under equity method of accounting.

COMPETITIVE STRENGTHS

Our Group has an experienced management team with diversified expertise and a strong workforce

We consider the strength of our management team to be fundamental to our success. Mr. Zhang, one of our founders and our chairman and executive Director, possesses over 15 years of experience in the financial services field in the PRC. Mr. Zhang acted as a director in companies engaged in various financial fields, including futures, small loans lending, insurance brokerage, venture capital, guarantee and fund management. As at the Latest Practicable Date, he is a council member of the Guangdong General Chamber of Commerce (廣東省工商業聯合會(總商會)) and the vice president of Foshan General Chamber of Commerce (佛山市工商業聯合會(總商會)). He was also awarded as an Outstanding Corporate Manager in Guangdong Province (廣東企業優秀管理人才) by the Guangdong Enterprises Confederation (廣東省企業聯合會) and the Guangdong Entrepreneurs Association (廣東省企業家協會). Members of our management team are all experienced in the financial services field. Mr. Li Bin, our executive Director and the chief executive officer of our Group, has over 12 years of experience in the banking industry and over seven years of experience in the guarantee industry in addition to his banking experience. Ms. Dai Jing, the senior vice general manager of Success Guarantee, has over 12 years of experience in the banking industry and over six years of experience in the guarantee industry in the PRC in addition to her banking experience. Further, Ms. Dai Jing is also a qualified lawyer in the PRC. Our vice general manager of Success Guarantee, Mr. Yuan Chen, also has more than eight years of experience in the sales and marketing aspects of the guarantee business. Mr. Zhong Zhiqiang, our risk control director who oversees our risk control and management functions, has over 18 years of experience in the banking industry and over four years of experience in the guarantee industry in addition to his banking experience. All of our senior management team members have extensive experience in the financial services field, and each of them had relevant expertise and experience in the key functions of our business operations in which they oversee, namely risk management, legal, internal control and sales and marketing.

Our risk control department is led by our risk control director; as at the Latest Practicable Date, the other members of the department comprised four risk control managers, three of whom have approximately one to five year(s) of experience in the financial industry and one being a PRC certified public valuer with over 15 years of valuation experience in the PRC. All members of the department have received tertiary education, majoring in finance, economics, law or business management. Among our workforce of 47 employees as of 31 May 2013, over 95% of them have received tertiary education and among them, over 17% have got master degree or are educated overseas. The head of our independent compliance department, which was established in September 2013, has more than 10 years of experience in the banking industry, with over three years of experience in the guarantee industry further to her banking experience.

BUSINESS

We believe that the extensive experience of our management team and their industry knowledge and in-depth understanding of the market enable us to assess market trends, and requirements of lending banks and financial and other institutions on the one hand and the borrower customers on the other hand, as well as to evaluate and manage our risk profile and ensure compliance with legal and regulatory requirements. Our management team's understanding of the industry and market trend and the diverse needs and requirements of lenders and borrowers also enable us to broaden our product offerings, design and tailor-made financial products which, in turn, would increase customers' satisfaction and foster our business development. We believe that with our management team's experience and expertise, they will also steer us through the evolving financial industry in the PRC and enable us to expand our business scope and capture more business opportunities; while our strong workforce could complement our management team and ensure smooth and effective implementation of our plans and strategies.

Our Group has an established management system

In addition to an experienced management team with diversified expertise for our strategic planning and to oversee our operations, we have also implemented a set of internal guidelines and operation manuals which set out various guidelines, instructions and operational rules covering various aspects of our business operations including, business management, business operation procedures, human resources management, administration management and finance management. We believe a strong management system would improve our management efficiency, reduce human error and reliance on a particular personnel; and also enable to us to better manage and monitor different aspects of our operations.

To keep our staff aware of and facilitate compliance with our internal requirements, we offer on-job trainings and seminars to our staff from time to time in relation to legal and regulatory requirements relevant to our Group and reviews and updates on our Group's internal guidelines and operations manuals.

To further improve our management system and strengthen our internal control and risk management, we have developed a computerised management system and engaged a professional internal control review company to provide professional consultation and training service to us. The computerised system has been implemented since January 2013. For the functionality of the computerised management system, please refer to the paragraph headed "Internal control and risk management" in this section.

We believe that the implementation of such computerised management system enables us to, among others, enhance, standardise and computerise many aspects of our management and internal control functions, including client management, guarantee approval process and post-transaction monitoring; and we could also build up our database of customer information through the use of this system. With the use of the computerised management system, our management could monitor our business operations more efficiently online; and we could also retrieve or update customer data and credit information more efficiently through the use of this system. We believe standardisation and computerisation of our management system could also provide a platform for our expansion.

Our Group is recognised by, and has an established long-term cooperative relationship with, various banks, financial and other institutions

During the Track Record Period, we had business relationships with 20 financial institutions to facilitate the financing of SMEs and as at 31 May 2013, our Group had effective cooperation

BUSINESS

agreements for business cooperation with 15 financial institutions (which include 12 banks), among which we have established long term cooperative relationships with reputable banks and other financial institutions ranging from one year to eight years, including, among others, a policy bank, state-owned commercial banks, joint-stock commercial banks, local commercial banks, rural banks, a provincial re-guarantee company and a trust company.

In 2009, Success Guarantee was also selected as one of the first eight cooperating guarantee institutions by the Re-guarantee Company. Other than banks and the Re-guarantee Company, we also have business cooperation with local credit companies as well as a trust company. Success Guarantee was also one of the enlisted financial guarantee companies in certain cooperative programmes organised by local governments in the PRC for the purpose of assisting SMEs in obtaining financing for their business development, including the Eagle Scheme and the Flying Dragon Scheme. For further information in relation to the cooperative programmes, please refer to the section headed “Business — Principal business activities” below.

Our Directors believe that our Group’s close working relationship with state-owned and local banks, other financial institutions such as a re-guarantee company and a trust company, and local government authorities not only broadens our customer base and increases our business opportunities through referrals from them, our stable and long term business relationship with such reputable banks and financial institutions, with their remarkable risk assessment capability and professionalism; and our being enlisted as approved guarantee companies in programmes organised by local governments, is also an acknowledgement of our quality service as well as our creditability and compatible risk management capability which, in turn, would give us a significant competitive advantage over our competitors. It also facilitates more cooperative opportunities with other reputable banks, financial institutions or government authorities in the future.

With our Group’s established relationships with banks, financial institutions and local government authorities, we believe that as banks and financial institutions increase their lending or provision of funding to SMEs, in order to satisfy stringent internal risk control requirements of the lending institutions, their demand on risk assessment, pricing and management capabilities, and on the services of guarantee companies will grow. The increasingly strict regulations combined with our flexible guarantee arrangements and different product offerings and competitive registered capital base enable us to extend our operations and to create more opportunities to partner with banks and financial institutions in SME lending.

Our ability to offer a variety of guarantee services to suit the needs of customers

Our Group has provided a variety of guarantee services to suit the various needs of our customers, and we are fast in responding to market requirements to design and provide new types of guarantee services to cater for the changing and emerging market demand for different kinds of guarantee services. During the Track Record Period, we offered various kinds of financial guarantee services to our customers to cater for their general fund raising needs, as well as non-financial guarantee services, such as performance guarantees, to assist our customers to fulfill their contractual obligations to counterparties. Further, we provide guarantee services in relation to various financial products, including, among others, an issue of private placement bonds shortly after the promulgation of the

BUSINESS

Pilot Measures for the Issuance of Private Placement Bonds by SMEs in May 2012 and an issue of the Foshan SME Bills, which was among the first batch of bills of such kind launched in the PRC. Further information in relation to our various guarantee services is set out in the section headed “Business — Principal business activities” of this prospectus.

Through developing a wide variety of product offerings, we believe we are able to attract a broader portfolio of customers and demonstrate our competitiveness and our ability to adapt to the changing market and sustain continuous business development. We believe our ability to design and provide different services to suit our customers’ requirements could also increase customer satisfaction and help generate customer loyalty which, we believe, would further strengthen our business cooperation with banks, financial institutions and government authorities, and may also provide more business opportunities for us through recurring business from customers and referrals from them.

Competitive advantage brought about by our proven business track record, market share and registered capital and size of net asset value of our Company’s operating PRC subsidiary

Our operating PRC subsidiary, Success Guarantee, commenced its provision of guarantee services to our customers in 2004. Our revenue grew from approximately RMB35.1 million for the year ended 31 December 2010 to approximately RMB57.1 million for the year ended 31 December 2012, representing a CAGR of over 27% over the Track Record Period. Throughout our business history, banks and financial institutions which have business relationship with us also grew from two as at 31 December 2004, the year we commenced our guarantee business, to 15 (which include 12 banks) as at 31 May 2013. In 2009, Success Guarantee was selected as one of the first eight cooperating guarantee institutions by the Re-guarantee Company. In 2011, Success Guarantee obtained “AA-” crediting rating from Shanghai Far East Credit Rating Co., Ltd. (上海遠東資信評估有限公司). Success Guarantee was also awarded as a Large Taxation Payer (納稅大戶) by the People’s Government of Chancheng District of Foshan City in 2012.

According to the Ipsos Research Report commissioned by our Company, Success Guarantee, our operating PRC subsidiary, in terms of revenue in 2012, ranked the third largest and the largest privately-controlled financial guarantee service provider in Guangdong Province and Foshan City respectively, and ranked the seventh and the second largest financial guarantee service provider among all financial guarantee service providers in Guangdong Province and Foshan City respectively.

We believe our proven business record, our established business cooperation with increasing number of lending banks and other financial institutions and our cooperation with local government authorities, coupled with recognition of our services shown from the various awards and accreditations obtained by us over the years, has established us as a prominent player in the financial services industry, with our focus in the provision of guarantee and financial consultancy services. Our established market position, we believe, would in turn attract more referrals from existing customers or business partners as well as new potential customers, and we would be in a better position to capture existing and growing business opportunities in the market.

BUSINESS

The financial guarantee industry in the PRC is under stringent legal and regulatory requirements. Under the Interim Measures, the minimum required registered capital of guarantee companies, in general, should not be less than RMB5 million. In order to improve the quality of the financial guarantee industry, the authorised local government of Guangdong Province has promulgated stricter requirement on the minimum registered capital of financial guarantee companies. Pursuant to the Implementing Rules promulgated on 27 September 2010, the minimum paid-up registered capital for a financial guarantee company established in Foshan City and other cities including Guangzhou, Shenzhen, Zhuhai, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing should be at least RMB100 million. Our operating subsidiary in the PRC, Success Guarantee, is able to meet the increasingly strict requirements on paid-up registered capital of financial guarantee companies in the PRC. As at the Latest Practicable Date, Success Guarantee had paid-up registered capital of RMB250 million.

Other than the requirement on the amount of registered capital, the Interim Measures also stipulate that the outstanding guarantee amount of a single customer provided by a financial guarantee company should not exceed 10% of such company's net asset value, and that the aggregate balance of outstanding financial guarantee amount shall not exceed the Aggregate Cap Amount. Our cooperation agreements with banks would also impose certain thresholds on the outstanding guarantee amount of a single customer, aggregate outstanding guarantee amount based on the net asset value, registered capital or paid-up capital of Success Guarantee. As at 31 May 2013, the net assets of Success Guarantee was approximately RMB366.3 million, which was extracted from unaudited PRC management accounts prepared in accordance with relevant PRC accounting standards, relevant laws and regulations in the PRC.

The size of the net asset value and registered capital of a financial guarantee company would impact on the amount of business such a company could undertake at a particular time. Hence, we believe, with the size of the net asset value and registered capital of Success Guarantee, being among the tier of companies with a more sizable business operation, we would be able to undertake transactions of a larger size or to undertake more transactions, thereby increasing our competitive advantages when compared with peer companies of a comparative smaller size and our revenue could also be increased.

Our Board also believes that the stricter licensing requirements and the requirement on minimum amount of paid-up registered capital and outstanding guarantee amount might phase out or hinder the development of smaller size financial guarantee companies which, we believe, could provide our Group with a competitive advantage.

BUSINESS OBJECTIVES AND STRATEGIES

Our Group is a financial service provider and we aim to provide integrated financial services to enterprises, mainly SMEs, in China in order to assist them to improve their overall fund-raising capabilities and enable them to obtain funding for business development. To achieve our business goal, we plan to build on our competitive strength to further strengthen our market position in the guarantee services industry and to expand our financial consultancy services, and through our investment in Success Credit, to expand our scope of business into the small loan lending market. The implementation of our plan to expand to small loan business will depend on various factors, such as the regulatory environment of the small loan business in future, change in the market environment for small loan lending, and the profitability of Success Credit. Therefore, up to the Latest Practicable Date, there is no specific development plan for our Group in this respect.

BUSINESS

As part of our business strategy, it is also our plan to expand our business scope to cover other areas of financial services to be provided to SMEs in the PRC, with the ultimate aim to assist them to improve their overall fund-raising capabilities and enable them to obtain necessary funding for their business development, such as consultation or advisory services assisting them to source investors for their business, alternative fund raising through issuance of bonds and other types of financial instruments. We believe through our established position in the guarantee services industry and the experience and in-depth knowledge of our management team in the financial services industry, we would be able to achieve our business goal.

We plan to implement our business strategies through strengthening our financial capacity and scale of operation, broadening our product offerings, strengthening relationship with banks and other business partners; and pursuing possible merger and acquisition opportunities, and thereby expanding our market share in the guarantee and financial services industry as a whole.

Financial capability and scale of operation

Pursuant to the Implementing Rules, it is stipulated that the outstanding guarantee amount of a single customer provided by a financial guarantee company should not exceed 10% of such company's net asset value ("**Individual Cap Amount**"), and that the aggregate balance of outstanding financial guarantee amount shall not exceed the Aggregate Cap Amount. Our cooperation agreements with banks and other lending institutions would also impose certain thresholds on the outstanding guarantee amount of a single customer and aggregate outstanding guarantee amount based on our net asset value, registered capital or paid-up capital. Accordingly, the scale of our financial guarantee business is limited by the size of our net asset value, registered capital or paid-up capital even if we are able to find more potential customers for our financial guarantee services.

After Listing, we plan to utilise about 60% of the net proceeds from the Global Offering, being approximately HK\$107.7 million, to strengthen our financial capability by increasing our net asset value, registered capital and/or paid-up capital and thereby expanding the scale of operation of our financial guarantee services, and we may do so by injecting funds into our operating subsidiary in the PRC by increasing the amount of its registered capital or by way of shareholders' loan or other forms of contribution. We may also set up new companies or making investments in other companies by way of merger and acquisition as and when suitable opportunities arise.

With the enhanced financial capability, we could expand the scale of our financial guarantee business operations by increasing the amount of financial guarantee that we can provide to a single customer as well as increasing the aggregate amount of financial guarantees that we can provide at a point of time.

With the enhanced financial capability, the threshold on the outstanding amount of our financial guarantee to be provided to a single customer would be increased, thus we can provide financial guarantee services to quality customers which requires a larger amount of loan which, we believe, may also include quality SMEs with larger scale of business operations. We believe that with our increased financial capability, we could broaden our pool of potential customers into SMEs with relatively large scale of business operations, and such SMEs may also have longer business track record and we believe, in turn, may have a higher credit worthiness, a lesser risk of default and a stronger ability to resist risks than smaller SMEs or SMEs with short business track record. We also believe that we may receive higher returns from such SMEs.

BUSINESS

The aggregate outstanding amount of our financial guarantees would also increase when our net asset value increases. We could thus also increase the total amount of financial guarantee services to be provided to our customers at a point of time, thereby expanding our scale of operations and increasing our income stream.

Commensurate with the increased net asset value and the corresponding enlarged Individual Cap Amount and Aggregate Cap Amount, we plan to, among others, strengthen financial guarantee and other services in Foshan City and further expand our business to other parts within the Pearl River Delta. Initially, we intend to expand our market presence in other cities in the Guangdong Province such as Guangzhou, Dongguan, Zhongshan and Jiangmen in the three years ending 31 December 2015 and we plan to set up one to two representative offices or branch offices in such areas each year to market and promote our business in those areas.

Set out below is a summary of the competitive landscape of the guarantee industry in Guangzhou, Dongguan, Zhongshan and Jiangmen:

- By the end of 2012, Guangzhou has nearly one million SMEs, with privately-controlled enterprises accounting for more than one-third of the aggregate economic volume of Guangzhou. By the end of 2012, Guangzhou had a total of 93 financial guarantee companies, with a total outstanding balance of guarantee amount of approximately RMB22.5 billion.
- In June 2012, Dongguan had a total of 47 financial guarantee companies, of which 44 were corporate entities and three were branches of corporations. In 2011, financial guarantee companies in Dongguan had a total guarantee amount of approximately RMB19.1 billion and provided financial guarantees of approximately RMB11.2 billion for around 1,600 medium, small and micro enterprises. By the end of 2011, it had a total outstanding balance of guarantee amount of approximately RMB18.4 billion.
- By the end of 2012, Zhongshan had a total of 156,987 individually owned enterprises and 58,276 private enterprises, of which approximately 95% were SMEs. Zhongshan had a total of eight guarantee companies. In September 2012, the eight guarantee companies provided loan guarantees for SMEs with an aggregate amount of approximately RMB1.3 billion.
- By the end of 2012, Jiangmen had a total of 29,600 privately-controlled enterprises and a total of 158,100 individually owned enterprises. In September 2012, Jiangmen had a total of six guarantee companies with total outstanding balance of guarantee amount of approximately RMB1.2 billion and provided guarantee services for a total of 577 customers.

BUSINESS

Our Group expects to use approximately RMB10 million to expand our market presence in the Pearl River Delta from the Latest Practicable Date to 31 December 2015 through internal resources and future operating profits of our Group. As advised by our PRC Legal Advisers, (i) if we establish branch offices within Guangdong Province, we are not required to apply for additional operating licence for financial guarantee institutions, and will only be required to apply for approval from the financial bureau of the relevant cities of establishment in Guangdong Province and obtain approval from the Guangdong Financial Office; and (ii) there is no material difference between the laws and regulations applicable to establishing and operating a branch office and those applicable to operating our existing business. Our Directors will ensure we will comply with all regulatory requirements and obtain all required approval(s) and/or permit(s) prior to opening of any representative offices or branch offices.

Assuming there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates, we consider that our establishment of branch offices will be subject to risks that (i) we may not be able to recruit suitable personnel with the requisite qualifications and experience in a timely manner, and (ii) we may not be able to obtain approval from the Guangdong Financial Office in a timely manner.

Product offerings and relationship with banks and other business partners

Other than our in-house sales and marketing efforts, we also plan to actively seek more financial guarantee services opportunities from our business cooperation with banks and financial institutions and to seek business cooperation relationships with more banks and other financial institutions. With our established market position in the guarantee services industry and the in-depth knowledge of our management team in the financial services field, we also plan to expand our financial consultancy services to SMEs through our marketing and promotional efforts, continual and expanding business cooperation with banks and financial institutions and recurring business and referrals from existing and past customers.

Possible merger and acquisition opportunities

As part of our expansion strategy, we may also pursue merger and acquisition opportunities within the industry in order to further expand our business and service offerings and strengthen our position as a leading investment and financing services providers for SMEs with focus in the guarantee business in Foshan City, Guangdong Province.

Other than companies with the same business focus as our Group, our merger and acquisition targets could also be other investment and financing services providers for SMEs that have the potential to complement our existing business model or our sales network and enrich our portfolio of providing financial services to SMEs, which may include small loans service providers and financial leasing service providers.

BUSINESS

In selecting targets for merger and acquisition, preference will be given to potential targets which meet one or more of the following criteria:

- the major market of potential target shall fall within the existing and target market of our Group (such as Foshan, Guangzhou, Jiangmen, Zhongshan and Dongguan) and the potential target shall mainly be financial guarantee companies or small loan companies;
- the business scope of the target shall not exceed the scope of our Group as permitted by regulatory authorities or applicable laws and regulations of guarantee industry and small loan industry;
- the target should have obtained a valid licence to operate its business and there should not have been significant non-compliance with applicable laws and regulations during its period of operation;
- the target shall possess an established brand name and reputation in its local market;
- the target should attain a local market share of 10% or above;
- the management team of the target should possess considerable expertise and reputation within the local industry;
- the target should have relatively established cooperative relationship with financial institutions or possess exclusive channel of cooperation with financial institutions;
- the target has attained product innovation in its financial products; and
- the consideration and investment amount of acquiring such target shall not exceed the relevant cap amount as permitted under the laws and regulations applicable to financial guarantee service providers.

We believe that successful acquisitions will bring synergies to our Group and enhance our Company's value to our Shareholders. We may also consider to establish joint ventures with potential business partners for developing our business in future. After Listing, we plan to utilise about 30% of the net proceeds from the Global Offering, being approximately HK\$53.8 million, to pursue such potential merger and acquisition opportunities.

As at the Latest Practicable Date, there was no specific target of acquisition or joint venture partner identified and no definitive agreement had been entered into. We will make an announcement in accordance with the applicable requirements of the Listing Rules as and when necessary.

PRINCIPAL BUSINESS ACTIVITIES

Our Group's guarantee services are provided by Success Guarantee. In general, we provide two kinds of guarantee services and financial consultancy services.

(A) Financial guarantee

Our Group mainly provides financial guarantees to SMEs to assist them in obtaining loans from banks or other institutions. During the Track Record Period, to facilitate the financing of SMEs we had business relationships with 20 financial institutions, including, among others, a policy bank, state-owned commercial banks, joint-stock commercial banks, local commercial banks, rural banks, a provincial re-guarantee company and a trust company.

BUSINESS

As at 31 December 2010, 2011 and 2012, 31 May 2013 and the Latest Practicable Date, our Group had effective cooperation agreements for our guarantee services with 12, 16, 16, 15 and 14 financial institutions, which included 12, 14, 13, 12 and 10 banks, respectively. Our cooperation agreements with banks during the Track Record Period were mainly entered into with the city-level branches of our cooperating banks. During the Track Record Period, our cooperation with one lending bank was terminated after our cooperation agreement with such bank expired in 2011, as we considered the growth potential and the customer base of that rural bank was limited, and thus the termination of cooperation with such bank was in the interests of Success Guarantee. During the Track Record Period, our revenue attributable to our cooperation with such bank amounted to approximately RMB0.2 million. Save as disclosed above, none of our cooperating financial institutions terminated the cooperation agreements with us during the Track Record Period. Regarding a joint-stock commercial bank with which our cooperation agreement expired in March 2013, our negotiation for a new cooperation agreement with such bank was in progress as at 31 May 2013 and the Latest Practicable Date. Regarding a state-owned commercial bank with which our cooperation agreement expired in May 2012, our negotiation for a new cooperation agreement with such bank was in progress as at 31 December 2012, 31 May 2013 and the Latest Practicable Date. Regarding a joint-stock commercial bank and a local commercial bank, with which our cooperation agreement expired in June 2013 and August 2013 respectively, our negotiation for new cooperation agreements with such banks were in progress as at the Latest Practicable Date. In addition to banks with which we had entered into cooperation agreements, after our cooperation agreement with another state-owned commercial bank expired in April 2012, we provided financial guarantees services in respect of loans granted by such bank, with terms subject to commercial negotiations between the relevant parties on a case-by-case basis. Apart from entering into cooperating agreements with lending banks, we cooperated with a credit enhancement company in the PRC (“**Credit Enhancement Company**”) by entering into counter-guarantee agreement with such company (which was the principal guarantor of the Foshan SME Bills), pursuant to which we provided counter-guarantees to the Credit Enhancement Company in respect of the payment obligations of the SME issuers of such bills.

Under our cooperation agreements with the lending institutions, our Group acts as an intermediary between the lending institution as a lender and our customer as a borrower. Our Group supports the SMEs by providing guarantee to the lending institutions in order to enable and facilitate such lending institutions to provide credit facilities to the SMEs. Customers for our corporate financial guarantee services must separately pass our Group’s credit approval process and the relevant lending institution’s credit approval process, which are conducted independently and in accordance with their respective internal policies and guidelines.

We mainly cooperate with lending banks. Below sets out a summary of the general terms of the cooperation agreements entered into by our Group and lending banks as at 31 May 2013:

General terms of cooperation agreements

Scope of guarantee	principal amount, accrued interest, penalties, damages and expenses, subject to formal guarantee contract
Cash deposit	an amount equivalent to 10% to 15% of our total outstanding guarantee amount with the relevant bank

BUSINESS

Maximum outstanding guarantee amount with a cooperative lending institution	RMB50 million to RMB520 million
Maximum total outstanding guarantee amount provided by us	approximately RMB620 million to approximately RMB3,663 million (based on financial position of Success Guarantee as at 31 May 2013)
Maximum guarantee amount provided by us to a single customer	approximately RMB3 million to approximately RMB25 million (based on financial position of Success Guarantee as at 31 May 2013)
Term	Approximately one year (terms of cooperation agreement are reviewed upon expiry of the agreement)

As at 31 May 2013, our total outstanding guarantee amount of approximately RMB1,539.1 million exceeded the maximum total outstanding guarantee amount imposed on us under our cooperation agreements with four of our cooperating banks. Pursuant to our cooperation agreements with three of the four cooperating banks, where the maximum total outstanding guarantee amount has been exceeded, the cooperating bank is entitled not to enter into new guarantee transactions with us. After 31 May 2013 and up to the Latest Practicable Date, we entered into a total of four guarantee transactions with two of these three cooperating banks. Pursuant to our cooperation agreement with the remaining one of the four cooperating banks, where the maximum total outstanding guarantee amount has been exceeded, the cooperating bank is entitled to terminate the relevant cooperation agreement. We had informed such cooperating bank of our total outstanding guarantee amount as at 31 May 2013, which exceeded the maximum limit imposed under the relevant cooperation agreement, and we have not received any notice of termination from such bank as at the Latest Practicable Date. After 31 May 2013 and up to the Latest Practicable Date, we entered into one guarantee transactions with such cooperating bank and our outstanding guarantee amount with such cooperating bank as at the Latest Practicable Date was approximately RMB5.0 million. As advised by our PRC Legal Advisers, a financial guarantee company is not required to enter into a cooperation agreement with the lending bank before it can provide guarantees in respect of the loans granted by such bank.

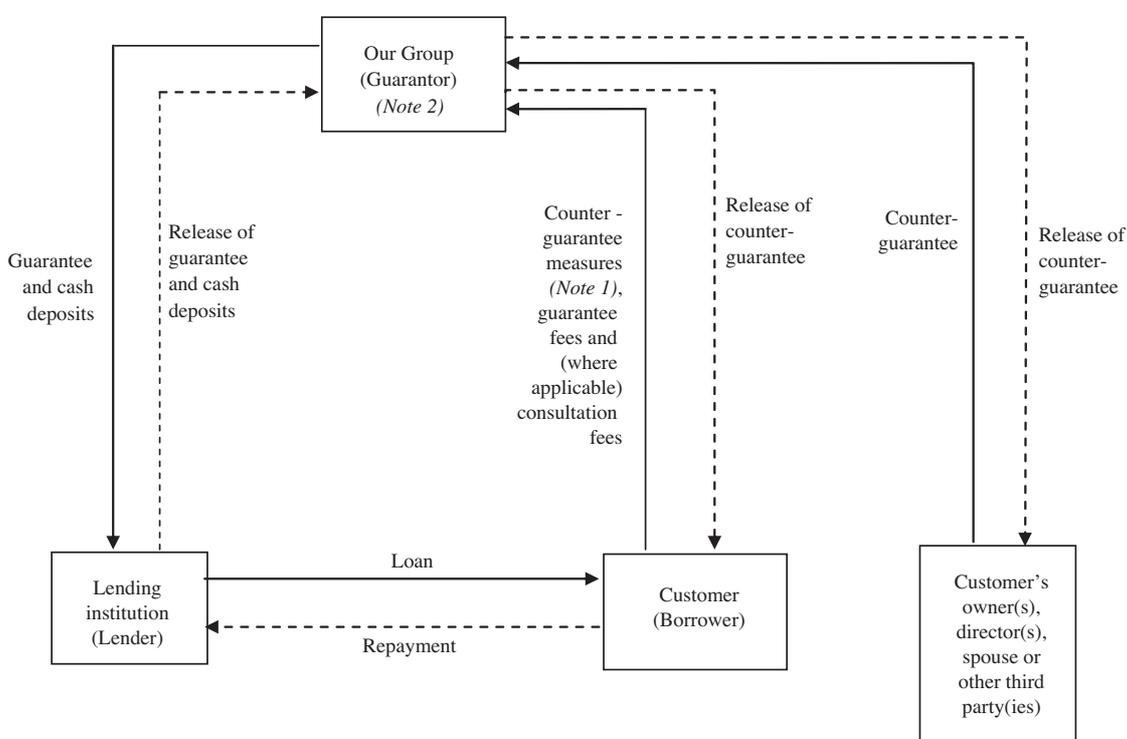
Pursuant to the cooperation agreements, we are generally required to maintain cash deposits amounting to a certain stipulated percentage of our total guarantee amount with the relevant banks before we enter into guarantee contract with the relevant banks. Since January 2013 and up to the Latest Practicable Date, there had been no material change to the cash deposit requirements stipulated in the cooperation agreements between our cooperating banks and us and, notwithstanding the four cooperating banks with which our negotiations for new cooperation agreements were in progress as at the Latest Practicable Date, the number of our cooperating financial institutions generally remained stable. Nevertheless, our Directors consider that in the event that our cooperating banks substantially increase the cash deposit requirements under their cooperation agreements with us, our Group may need to maintain a higher cash level and the number of guarantee transactions that we may enter into (or the total guarantee amount thereof) may be limited as the amount of cash deposits required generally increases with our total outstanding guarantee amount with the relevant cooperating bank, and thus our business operation may be adversely affected. The duration of our cooperation

BUSINESS

agreements with the lending banks during the Track Record Period were generally about one year and upon expiry of the relevant cooperation agreements, their terms would be reviewed by the provincial office or other higher level office of the relevant lending bank, which would determine whether the agreement would be renewed by the bank.

The guarantee serves as an additional comfort to lending institutions by reducing their exposure to the default risk of SMEs. As such, finance providers are more willing to grant loans to borrowers with guarantee provided by financial guarantee companies, while borrowers will be able to obtain requisite funding within reasonable costs. Our Group believes that the provision of guarantee services by financial guarantee companies provides a win-win solution for all the parties involved.

The chart below summarises the work flow of a typical financial guarantee transaction:



Notes:

1. Counter-guarantee measures means certain guarantees and/or collaterals provided by the customer and/or its owner(s), spouse or third party(ies) in favour of our Group to secure the guarantee offered by us to the lending institutions. Our counter-guarantee measures generally include (a) charges over fixed assets such as properties, vehicles and machineries; (b) charges over movable and intangible assets such as tenancy rights/sub-letting rights, accounts receivables, inventories and land use rights; and/or (c) guarantee(s) from the owners or directors of the customer and his/her spouse or other third party. In certain cases, customers will be required to provide cash deposits to us as one of the counter-guarantee measures, which will be deposited in a specific bank account and will not be utilised by us other than for the purpose of compensating us in the event that our customer defaults on the relevant loan. The cash deposits will be returned to the relevant customers when the guarantee and the counter-guarantee are released.
2. In certain cases re-guarantee arrangement may be involved. For further information, please refer to the sub-paragraph headed "Re-guarantee in a guarantee transaction" below.

BUSINESS

Our Group provides financial guarantees for our customers mainly for assisting them to obtain working capital loans.

During the Track Record Period, Success Guarantee entered into a loan arrangement agreement with Foshan Dacheng Investment Co., Ltd. (佛山市大成投資有限公司) (“**Nominal Borrower**”), pursuant to which the Nominal Borrower agreed to act as the nominal borrower of loans granted by a policy bank to our customers (“**Users**”) and guaranteed by Success Guarantee. Pursuant to the cooperation agreement entered into between the policy bank and us, each of the loans under such arrangement shall be less than RMB5 million and the Nominal Borrower was designated as the nominal borrower of such loans on behalf of the Users, who are referred by us to the policy bank and are the actual users of such loans. Success Guarantee would provide financial guarantees to the policy bank for such loans and would charge the User for a guarantee fee. The Nominal Borrower, the User and the policy bank would enter into a loan agreement in respect of the relevant bank loan and Success Guarantee would enter into a guarantee contract with the policy bank. After the policy bank approves the drawdown request from the Nominal Borrower, the relevant funds under the loans granted by the policy bank under such arrangement would be advanced to a designated account of the Nominal Borrower, which would transfer such funds to the User. Before a date stipulated in the loan agreement, the User shall transfer the required repayment amount to the Nominal Borrower and such amount would be transferred to the policy bank by the Nominal Borrower. Where the Nominal Borrower or the User defaults on the loan repayment to the policy bank, the policy bank will be entitled to require us to indemnify it for the default amount. We will then be entitled to recover the amount we compensated from the Nominal Borrower or the User (depending on whom defaulted on the loan repayment under the relevant contract). During each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the total new guarantee we provided under the cooperation arrangement set out above amounted to approximately RMB38.5 million, RMB132.5 million, RMB92.5 million and nil respectively. During each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the revenue recognised from guarantee contracts under such cooperation arrangement set out above amounted to RMB0.2 million, RMB1.8 million, RMB2.9 million and RMB1.0 million representing approximately 0.5%, 3.3%, 5.2% and 4.7% of our total revenue during the same period, respectively.

The policy bank, which was a bank primarily engaged in financing, among others, large scale infrastructure projects, entered into the cooperation arrangement set out above with Success Guarantee in 2010 with an aim to develop its SME financing business in the Guangdong Province. As the policy bank does not have branch office in the Guangdong Province apart from its Guangzhou office, it was intended that Success Guarantee, as an established local guarantee company in Foshan City, shall refer local SME borrowers to the policy bank. It was also intended that with the arrangement set out above, rather than advancing the relevant funds of the loans to various Users, they can be advanced to a single Nominal Borrower for efficient management of loan advance and repayment process. Taking into account the resources and the reputation of the policy bank, Success Guarantee considered that it was in its interests to enter into such cooperation arrangement with the policy bank, so as to increase the number of its cooperating banks and thus broaden its client source. During the period from 23 January 2011 to 18 June 2012, the Nominal Borrower was a company of which the entire equity interest was held by Mr. Zhang, Mr. Pang and Mr. Xu (each of whom is one of our Directors and Controlling Shareholders) directly or through Foshan Finance (a company owned as to 51% by Mr. Zhang, 25% by Mr. Xu and 24% by Mr. Pang). On 18 June 2012, the entire equity interest of the Nominal Borrower was transferred to a shareholder of Success Credit and another third party. The Nominal Borrower is

BUSINESS

an Independent Third Party of the policy bank and the Users during the Track Record Period and, save for the business relationships described above, the Nominal Borrower has no relationship with such entities. As advised by our PRC Legal Advisers, the cooperation arrangements between the policy bank, Success Guarantee and the Nominal Borrower set out above are in compliance with all applicable laws and regulations in the PRC.

Apart from providing guarantee in respect of loans from lending banks, we also provided guarantee services in following arrangements:

- we cooperated with a trust company and provided guarantee services to SMEs receiving loans from the Foshan SME Trust Fund, details of which are set out in the section headed “Business — Principal business activities — Financial guarantee — Cooperation with the Foshan SME Trust Fund” below;
- we provided guarantee services in the issue of the Foshan SME Bills, where we provided counter-guarantee for certain of the SME issuers to the principal guarantor, namely the Credit Enhancement Company, in respect of their payment obligations of under such bills; and
- we cooperated with the Re-guarantee Company and provided guarantee services in an issue of private placement bonds by an SME (中小企業私募債), where Success Guarantee and the Re-guarantee Company provided guarantee in respect of their respective proportion of the issuer’s payment obligations under such bonds.

During the Track Record Period, we also entered into a cooperation agreement with an asset management company (“**Asset Management Company**”) in relation to the provision of guarantee services to clients in a finance lease arrangement. In August 2013, we further entered into a cooperation agreement with a finance lease company in relation to the provision of guarantees in favour of such finance lease company in respect of the payment obligations of our customer (i.e. the lessee under the relevant finance lease). Pursuant to such cooperation agreement, up to the Latest Practicable Date, we entered into one guarantee transaction with a guarantee amount of RMB16 million at a guarantee fee rate of 4.5% of the guarantee amount.

BUSINESS

A summary of our cooperation arrangements in relation to our financial guarantee services during the Track Record Period is set out below:

Name of cooperating institutions	Total guarantee amount (Note 1)				Revenue recognised (Note 2)				Mode of cooperation
	During the year ended		During the		During the year ended		During the		
	31 December		five months		31 December		five months		
	2010	2011	2012	2013	2010	2011	2012	2013	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Banks (Note 3)									
Bank A (Notes 4 & 9)	247,500	190,800	198,600	133,000	4,392	5,867	4,108	2,620	
Bank B (Notes 5 & 9)	241,841	275,300	171,500	5,360	11,104	14,120	11,694	3,185	
Bank C (Notes 6 & 9)	192,500	96,000	4,000	—	6,934	6,030	3,444	906	Financial guarantee
Bank D (Notes 7 & 9)	34,500	110,500	82,500	—	158	1,606	2,599	950	in respect of bank
Bank E (Notes 8 & 9)	20,000	50,000	65,200	17,325	1,667	848	2,536	822	loans
Others	59,000	115,300	167,400	78,300	3,836	2,575	5,159	2,233	
Trustee of Foshan SME Trust Fund	—	136,790	310,500	14,850	—	1,087	4,514	2,897	Financial guarantee
									in respect of Foshan
									Trust Loans
									(Note 10)
Credit Enhancement Company	—	175,000	—	—	—	583	3,500	1,458	Counter-guarantees in
									respect of payment
									obligations of the
									SME issuers of the
									Foshan SME Bills
									(Note 11)
Re-guarantee Company (as principal guarantor)	—	20,000	130,000	115,000	—	373	1,362	793	Financial guarantee
									in respect of the
									payment obligations
									of certain issuers of
									bills or private
									placement bonds or
									certain borrowers of
									bank loans (Note 12)
Re-guarantee Company (as re-guarantor)	11,000	—	69,200	60,000	473	373	1,016	981	Financial guarantee
									in respect of bank
									loans where
									re-guarantees were
									involved (Note 13)
Local governments	273,000	331,000	208,000	92,300	5,788	7,154	5,205	1,869	Financial guarantee
									in respect of bank
									loans where local
									governments were
									involved (Note 14)
Asset Management Company	—	—	—	—	—	—	—	—	Guarantee in relation
									to debts under
									finance leases
									(Note 15)
Total	1,079,341	1,500,690	1,406,900	516,135	34,352	40,616	45,137	18,714	

BUSINESS

Notes:

1. The total guarantee amount represents the aggregate amount for new financial guarantee contracts entered into by our Group in relation to the respective cooperative arrangements set out above during each of the three years ended 31 December 2012 and the five months ended 31 May 2013.
2. The revenue represents the income recognised from financial guarantees of our Group in relation to the respective cooperative arrangements set out above (net of any re-guarantee fees incurred by us) recognised during each of the three years ended 31 December 2012 and the five months ended 31 May 2013.
3. Bank A, Bank B, Bank C, Bank D and Bank E represent our top five cooperating banks in terms of the aggregate amount of financial guarantees we provided in respect of the loans granted by our cooperating banks during the Track Record Period. Bank D represents the policy bank with which we entered into a cooperation agreement in relation to, among others, the cooperation arrangement between the Nominal Borrower, the policy bank and us as described above in this section.
4. Bank A was founded in 1987 with its headquarters in Shenzhen, the PRC. As at the end of 2012, it had 99 branches and 853 sub-branches and presence in more than 110 cities in the PRC. As at 31 December 2012, at least 30.5% of its shares were held by state-owned entities. It is currently listed on the Stock Exchange and the Shanghai Stock Exchange and its market capitalisation (by adding up its market capitalisation of both of its A-shares and H-shares) as at 31 May 2013 was about RMB287 billion.
5. Bank B's history could be traced back to 1912. With its headquarters based in Beijing, the PRC, as at the end of 2012, Bank B provided financial services to its customers through its global network across the PRC, Hong Kong and 36 overseas countries. As at 31 December 2012, at least 67% of its shares were held by state-owned entities. It is currently listed on the Stock Exchange and the Shanghai Stock Exchange and its market capitalisation (by adding up its market capitalisation of both of its A-shares and H-shares) as at 31 May 2013 was about RMB824 billion.
6. Bank C was first founded in 1984 with its headquarters in Beijing, the PRC. As at the end of 2012, it had operations in 39 countries and regions and its total assets amounted to about RMB17,542 billion. As at 31 December 2012, at least 70% of its shares were held by state-owned entities. It is currently listed on the Stock Exchange and the Shanghai Stock Exchange and its market capitalisation (by adding up its market capitalisation of both of its A-shares and H-shares) as at 31 May 2013 was about RMB1,470 billion.
7. Headquartered in Beijing, the PRC, Bank D was dedicated to supporting the development of national infrastructure and national priority projects, promoting regional development and urbanisation by financing small business, education, healthcare, agricultural/rural investment and environment initiatives and facilitating the PRC's cross-border investment and business cooperation. As at 31 December 2012, its registered capital amounted to around RMB306 billion and it is wholly owned by state-owned enterprises and the Ministry of Finance. As at the end of 2012, its total assets were about RMB7,520 billion.
8. Bank E has an operating history of nearly 60 years with its headquarters in Beijing, the PRC. As at the end of 2012, Bank E had a network of 14,121 branches and sub-branches in the PRC and overseas countries. As at 31 December 2012, at least 59% of its shares were held by state-owned entities. It is currently listed on the Stock Exchange and the Shanghai Stock Exchange and its market capitalisation (by adding up its market capitalisation of both of its A-shares and H-shares) as at 31 May 2013 was about RMB1,249 billion.
9. Details of Bank A, Bank B, Bank C, Bank D and Bank E set out in Notes 4 to 8 above were based on our research on publicly available information.
10. Details of our cooperation arrangements with the trustee of Foshan SME Trust Fund are set out in the paragraph headed "Cooperation with the Foshan SME Trust Fund" below in this section.
11. No cooperation agreement was reached between the Credit Enhancement Company and us set out above during the Track Record Period. During the Track Record Period, the Credit Enhancement Company agreed to provide guarantees in respect of the payment obligations of the SME issuers of the Foshan SME Bills. Success Guarantee agreed to provide counter-guarantees for the payment obligations of three of such issuers in favour of the Credit Enhancement Company.
12. No cooperation agreement was reached between the Re-guarantee Company and us in relation to the cooperation arrangement set out above during the Track Record Period. Under such cooperation arrangement, the Re-guarantee Company provided guarantees in respect of the payment obligations of certain issuers of bills or private placement bonds or certain borrowers of bank loans. For each of such guarantee transactions, the Re-guarantee Company then entered into an agreement with Success Guarantee, pursuant to which Success Guarantee agreed to undertake a proportion of the Re-guarantee Company's guarantee amount and the Re-guarantee Company agreed to transfer an agreed proportion of the guarantee fee it charged to Success Guarantee. Such cooperation arrangement with the Re-guarantee Company proceeded on an ad hoc basis during the Track Record Period.

BUSINESS

13. The total guarantee amount and the revenue represent the aggregate guarantee amount of (but not the amount re-guaranteed by the Re-guarantee Company) and the revenue recognised from financial guarantees in respect of loans granted by our cooperating banks in which the re-guarantee from the Re-guarantee Company were involved during the Track Record Period. The revenue recognised comprises the guarantee fee charged by us on our customers for such financial guarantees for bank loans (net of any re-guarantee fees incurred by us). Details of our cooperation arrangements with the Re-guarantee Company (as re-guarantor) are set out in the paragraph headed “Re-guarantee (再擔保) in a guarantee transaction” below in this section of this prospectus.
14. The total guarantee amount and the revenue represent the aggregate guarantee amount of and the revenue recognised from financial guarantees in respect of loans granted by our cooperating banks in which our guarantee-sharing arrangement with certain local governments in Foshan City were involved during the Track Record Period. The revenue recognised comprises the guarantee fee charged by us on our customers for such financial guarantees for bank loans. Details of our cooperation arrangements with the certain local governments in Foshan City are set out in the paragraph headed “Participation in government cooperative programmes for SME development” below in this section of this prospectus. Among the revenue recognised during each of the two years ended 31 December 2011, approximately RMB237,000 and RMB99,000 was respectively derived from a guarantee transaction entered into by us in 2009 where both the local government of the Shunde District of Foshan City and the Re-guarantee Company (as re-guarantor) were involved. Hence, the guarantee amount of such transaction was not included in the total guarantee amount during the Track Record Period. Among the revenue recognised and guarantee amount provided by our Group during the five months ended 31 May 2013, revenue of approximately RMB56,000 and guarantee amount of RMB10 million were derived from a guarantee transaction entered into by us where both the local government of the Nanhai District of Foshan City and the Re-guarantee Company (as re-guarantor) were involved.
15. Pursuant to our cooperation agreement with the Asset Management Company, subject to our internal approval process, we agreed to enter into further agreement with the Asset Management Company and a cooperating finance lease company in respect of the finance leases provided by such company. Pursuant to such tri-partite agreement, upon default of the lessee under the finance lease, the Asset Management Company shall acquire the debt under the finance lease from the finance lease company and Success Guarantee shall acquire such debt within five business days after the receipt of notice from the Asset Management Company. As at the Latest Practicable Date, no agreement has been entered into by us pursuant to such cooperation agreement.

The financial guarantee fee received from our customers is proportionate to the guarantee amount agreed between us and our customers, which usually ranged from 0.5% to 4% (for guarantees with a term of no more than 12 months), from 4.5% to 6% (for guarantees with a term of 13 to 24 months) and from 5.5% to 7.5% (for guarantees with a term of 25 to 36 months) of the guarantee amount. The fee for financial guarantee charged by us is governed by the PRC authorities through the Interim Measures and the Opinions on SME Guarantee System. The Interim Measures set out general guidelines and measures on, among other things, the licensing or permit requirements for financial guarantee companies and in accordance with the Opinions on SME Guarantee System, the benchmark rate for financial guarantee fees may be 50% of the bank’s interest rate for loans with the same duration and the actual rates for individual transactions may be 30% to 50% higher or lower than the benchmark rate, depending on the level of risks of the specific projects. The Opinions on SME Guarantee System does not have any provisions which govern the amount of financial consultancy fee which can be charged by the guarantee companies. Therefore, our PRC Legal Advisers are of the view that the financial consultancy fee charged by us in some cases in addition to the guarantee fee does not violate the Opinions on SME Guarantee System. For further information, please refer to the section headed “Regulatory overview” in this prospectus.

BUSINESS

As at the Latest Practicable Date, our Group has not received any notice from the relevant government authorities regarding our Group's non-compliance of charging of the guarantee fees.

As advised by our PRC Legal Advisers, our Group is obliged to charge our financial guarantee fees in accordance with the Interim Measures, the Implementing Rules and the Opinions on SME Guarantee System. Other than that, the determination of guarantee fees and financial consultancy fees charged by our Group are not subject to any laws or regulations. As confirmed by our Company, the guarantee fees received by our Group during the Track Record Period did not violate the above rules and regulations and the relevant guarantee fee rates were below the maximum limit imposed by the Opinions on SME Guarantee System.

Our Group, our customers, the providers of counter-guarantees and the lending institutions will sign a series of contracts to govern the provision of guarantee services. Our Group will require our customers, their owners or directors, his/her spouse and/or other third party to provide counter-guarantees to secure the guarantees given by us.

As part of our risk management process, our Group's business operation department and members of the risk management committee will perform pre-deal due diligence investigation on our potential customers, whereas the results will be assessed by our risk control department prior to a guarantee service project being accepted by us for further assessment and processing which will include additional assessment by our risk control department and the final approval process by our risk management committee. Our business operation department also conducts post-transaction monitoring to monitor the performance of our customers after the issue of guarantees. In accordance with certain cooperation agreements entered into between the lending institutions and our Group, each of the parties has the obligation to inform the other any abnormal conditions relating to the relevant borrower. For details of our Group's internal control, please refer to the paragraph headed "Internal control and risk management" in this section of the prospectus.

Our Group entered into 205, 212, 201 and 76 new financial guarantee contracts, with an aggregate amount of new financial guarantees of RMB1,079 million, RMB1,501 million, RMB1,407 million and RMB516 million in each of the three years ended 31 December 2012 and the five months ended 31 May 2013 respectively.

Cooperation with the Foshan SME Trust Fund

In 2011, we entered into a cooperation agreement with a trust company, which is the trustee of the Foshan SME Trust Fund, Foshan Finance and Success Credit in relation to the provision of financial guarantee services in respect of loans granted from the Foshan SME Trust Fund to SME borrowers ("**Foshan Trust Loans**"). For each of the Foshan Trust Loans, Success Credit agreed to provide the SME borrower with an additional loan of an amount no less than one-ninth of the loan amount granted from such trust fund. We perform due diligence on potential SME borrowers and provide guarantee services to such borrowers if they pass our normal approval process. We agreed to provide guarantee in respect of the repayment of the Foshan Trust Loan only (but not for the loan granted by Success Credit), pursuant to such cooperation agreement and during the Track Record Period, we charged guarantee fees at the rate of approximately 3% to 4% of the guarantee amount per annum in respect of such loans. For each of the two years ended 31 December 2012 and the five months ended 31 May

BUSINESS

2013, the total guarantee we provided in relation to the Foshan Trust Loans amounted to approximately RMB136.8 million, RMB310.5 million and RMB14.9 million respectively, representing about 9.1%, 22.1% and 2.9% of the aggregate amount of new financial guarantees provided by us during the same period.

Re-guarantee (再擔保) in a guarantee transaction

In certain of our financial guarantee transactions involving a re-guarantee, in addition to a borrower, a lending institution and a principal guarantor, there will be a re-guarantor, who agrees to guarantee the whole or a portion of the guarantee obligation of the principal guarantor as provided in the contract entered into between the principal guarantor and the re-guarantor. During the Track Record Period, we acted as the principal guarantor and the Re-guarantee Company acted as the re-guarantor in certain cooperative arrangements between lending institutions, the Re-guarantee Company and us. Similar to a typical financial guarantee transaction, the principal guarantor will provide a guarantee in respect of the repayment of the loan provided by the lending institution to the borrower and the borrower will be required to pay a guarantee fee to us. Such transactions are independently approved by each of the lending institution, the principal guarantor and the re-guarantor, which would conduct their own investigations on the potential borrower. Pursuant to the cooperation agreement entered into between the Re-guarantee Company and us, we as the principal guarantor would (i) provide to the Re-guarantee Company information regarding the potential borrower and details of any counter-guarantees measures taken by us; and (ii) pledge a security deposit to the Re-guarantee Company amounting to 5% of the outstanding balance of the amount it re-guaranteed. We may require counter-guarantees from the borrowers or any third parties in respect of the loan, taking into account the factors we consider in our normal guarantee approval process. If the re-guarantor approves the transaction, it may enter into a re-guarantee agreement with us or issue a written confirmation to affirm that the repayment obligations guaranteed by us will be re-guaranteed by the re-guarantor in whole or in part. If such agreement or confirmation is entered into or issued, a re-guarantee fee will be payable by us to the re-guarantor. When the borrower is in default, we shall still be responsible for compensating the lending institution. Yet, where both the borrower and us are not able to compensate the lending institution in accordance with the respective agreements between such parties with the lending institution, the re-guarantor shall be required to compensate the lending institution for the whole amount or for the proportion as agreed under the relevant contract. We will be required to repay the re-guarantor for the compensation it made to the lending bank within a period stipulated under the relevant contract and an interest would be charged by the re-guarantor on the outstanding amount if the principal debtor fails to repay on time. The Re-guarantee Company is entitled to terminate the cooperation arrangement with us if our cumulative default rate or cumulative loss rate exceeds a particular level stipulated under our cooperation agreement.

In determining whether a re-guarantor is required, we will take into account the following factors:

- (i) whether the re-guarantee from the Re-guarantee Company is required under our cooperation arrangement with certain banks;
- (ii) whether we need to utilise the additional guarantee amount permitted under our cooperation agreement with the relevant lending institution as a result of the inclusion of the re-guarantor; and
- (iii) in cases where the borrower was referred to us by the Re-guarantee Company, whether the borrower satisfies our assessment criterion under our normal guarantee approval process.

BUSINESS

During the Track Record Period, the re-guarantee fee was charged at the rate of 10% or 32% of the guarantee fees charged by us on the borrower, according to the relevant cooperation arrangement between the Re-guarantee Company, the cooperating bank and us. The re-guarantee fee rate and the re-guarantee ratio in each case were stipulated in the cooperation agreements between, among others, the Re-guarantee Company and us, after commercial negotiations between such parties. For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the total amount of re-guarantee fees we incurred was approximately RMB134,000, nil, RMB70,000 and RMB174,000 respectively. For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the aggregate value of re-guarantee provided by the Re-guarantee Company to our guarantees amounted to approximately RMB11.0 million, nil, RMB69.2 million and RMB60.0 million representing approximately 1.0%, nil, 4.9% and 11.6% of the total amount of financial guarantees provided by our Group during the respective periods.

Participation in government cooperative programmes for SME development

Our Group has been selected as one of the cooperating guarantee companies in certain cooperative programmes organised by the local governments in the PRC for the purpose of assisting SMEs in obtaining financing for their business development, including the Eagle Scheme and the Flying Dragon Scheme (collectively, the “**Schemes**”), which has enabled us to broaden our clientele.

Under the Schemes, the SMEs in the relevant district were assessed by reference to, among others, their financial records, reputation and management system and as at the Latest Practicable Date, over 200 and 300 companies which were determined to be of a higher growth potential by the relevant local government body were selected as participants of the Eagle Scheme and the Flying Dragon Scheme respectively. The selected SME participants may, through their respective Schemes, apply for loans from the cooperating commercial banks, which shall be guaranteed by the cooperating guarantee companies.

In relation to the grant of loans under each of the Schemes, the relevant local government body will enter into a cooperation agreement (“**Scheme Cooperation Agreement**”) with the cooperating guarantee company and the cooperating commercial bank selected by such local government body. Loans may be granted under the Schemes to the SME applicant only if approvals have been obtained from each of the relevant local government body, the cooperating guarantee company and the cooperating commercial bank, which will conduct their assessment on the SME applicant independently. After such approvals have been obtained, the SME applicant will enter into a loan contract with the cooperating bank and a guarantee contract with the cooperating guarantee company, under which the guarantee fee under the Eagle Scheme and the Flying Dragon Scheme will be required to be not more than 2.5% and 2% of the total guaranteed amount respectively. Pursuant to the Scheme Cooperation Agreement, the cooperating bank and the cooperating guarantee company will also enter into a guarantee contract and the relevant local government body and/or the cooperating guarantee company will provide a cash deposit to the cooperating bank. The guarantee obligation in respect of the loan of the SME borrower will be shared between the relevant local government body (as to 30%) and the cooperating guarantee company (as to 70%) in the following manner pursuant to the Scheme Cooperation Agreement. Where the SME borrower fails to perform its repayment obligations under the loan contract, the Scheme Cooperation Agreement stipulates that the cooperating guarantee company will first repay the cooperating bank for the total unpaid principal amount and accrued interests on the loan and it will be entitled to reclaim 30% of the total repaid amount from a fund set up by the relevant

BUSINESS

local government. If the cooperating guarantee company is unable to repay such amount, the cooperating bank has the right to recover such unpaid amount from the cash deposit provided to such bank. Pursuant to the Scheme Cooperation Agreement, the cooperating guarantee company is required to repay 30% of any amount subsequently recovered from the SME borrower to such government fund. During the Track Record Period, through acting as one of such cooperating guarantee companies under the Schemes, we established business relationships with cooperating banks and developed another source of customers.

Certain incentives are given by the relevant local government to the SME scheme participants and the cooperating guarantee companies to encourage the application and granting of loans under the Schemes. In particular, the relevant local government would subsidise SME borrowers for part of the interest on the loans granted to them under their respective Scheme and provide all or part of the cash deposits to the cooperation banks in respect of such loans. The cooperating guarantee companies would also be subsidised based on their average daily outstanding guarantee amount for the relevant year in respect of loans granted under the respective Scheme.

(B) Non-financial guarantee

Our Group's non-financial guarantee services mainly involve the provision of litigation guarantee, and performance guarantee in relation to, inter alia, the performance of payment obligations under the agreements entered into between our customers and their counter-parties.

- (1) Our Group entered into 20, 21, 15 and 24 non-financial guarantee contracts, with an aggregate amount of new non-financial guarantees of approximately RMB43 million, RMB228 million, RMB76 million and RMB80 million for the each of three years ended 31 December 2012 and the five months ended 31 May 2013 respectively.
- (2) Our PRC Legal Advisers advised that the non-financial guarantee fees charged by our Group is not subject to any regulations and there is no requirement on the determination of the rate of guarantee fees for such non-financial guarantee services provided by us.

Similar to our Group's financial guarantee business, our Group will also conduct pre-deal due diligence on the potential customer, the due diligence results will be assessed by our risk management committee prior to the non-financial guarantee being accepted by us for further assessment and processing. Our business operation department also conducts post-transaction monitoring to monitor the performance of our customers after the issue of guarantees. For details of our Group's internal control, please refer to the paragraph headed "Internal control and risk management" in this section.

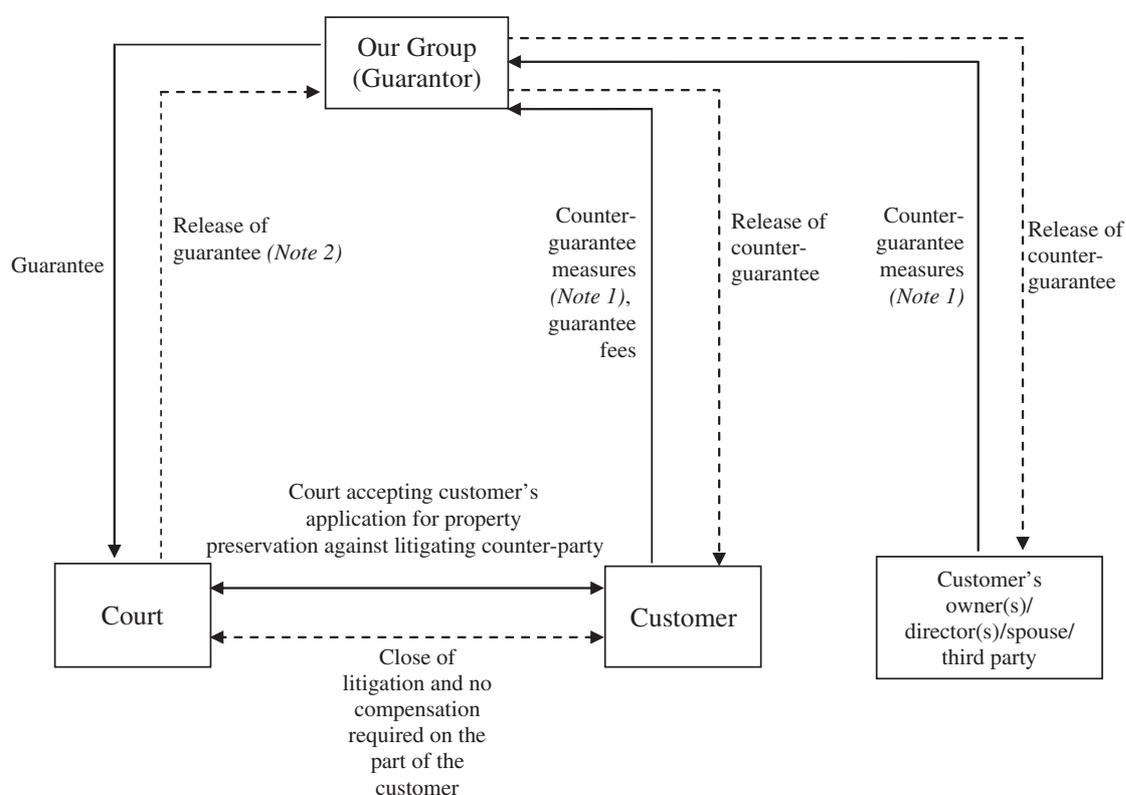
- (3) During the Track Record Period and up to the Latest Practicable Date, our Group had not (i) recorded any bad debt generated from provision of non-financial guarantees for its customers or (ii) received any notice of default from the beneficiaries of non-financial guarantees.

BUSINESS

Litigation guarantee

During the Track Record Period, revenue from litigation guarantee accounted for approximately 39.3%, 80.2%, 40.2% and 49.2% of our revenue from non-financial guarantee service for each of the three years ended 31 December 2012 and the five months ended 31 May 2013 respectively.

The purpose of litigation guarantees is to provide guarantee to the court that we will compensate the litigating counter-party for the loss incurred as a result of the freezing of the counter-party's property by the court as a result of our customers' inappropriate application for property preservation against the counter-party. As advised by our PRC Legal Advisers, a guarantee from a financial guarantee company is not a prerequisite to the application for property preservation. The chart below shows the work flow of a typical transaction involving a litigation guarantee:



Notes:

1. Counter-guarantee measures for litigation guarantees generally include guarantee(s) from the owners or directors of our customer, his/her spouse or other third party, but normally no assets will be charged as counter-guarantees for litigation guarantees.
2. Upon completion of the relevant litigation proceedings when the judgement made by the court is effective, the guarantee will in effect be released.

BUSINESS

In the approval process for an application for litigation guarantee, our Group will take into account, among others, the cause of action, the circumstances of the case, the evidence in support of the applicant's case and the strength of the applicant's case. After an application for a litigation guarantee is approved by our Group, our Group will issue a guarantee letter to the court with which the customer applied for property preservation against its litigating counter-party, guaranteeing that we will compensate the loss suffered by the litigating counter-party as a result of the freezing of such counter-party's properties as a result of our customers' inappropriate application for property preservation. If the litigating counter-party suffers loss component as a result of the property preservation order inappropriately imposed against it, our Group will be under a primary obligation to indemnify such litigating counter-party an amount no more than the guaranteed amount, pursuant to the terms of the guarantee letter to the court. Our Group will enter into a contract with the customer pursuant to which the customer shall reimburse us for the amount we paid to the court on the customer's behalf and pay to us an interest. In general, we also require the owner(s) or director(s) of our customer, his/her spouse or other third party to provide guarantee in favour of our Group as counter-guarantee. As for guarantee fees, we usually charge our fees, which would be a percentage of the amount we guarantee to the relevant court and agreed between us and our customer, based on, among others, our assessment of the risk involved and the amount of collaterals provided to us (if any). During the Track Record Period, the amount of guarantee fees charged by us for our litigation guarantee services usually ranged from 0.5% to 1.5% of the guarantee amount.

Performance guarantee

During the Track Record Period, we have provided performance guarantees in relation to (i) the payment obligations of our customer under a contract for the sale of goods between our customer and its suppliers; and (ii) the obligations of our customer under a contract for the acquisition of land (including its obligation to pay the acquisition price by installments and to establish an office building in accordance with the specification stipulated in the contract). In the approval process for an application for performance guarantee, our Group will take into account, among others, the payment capability of the applicant such as its financial conditions, its management and the revenue generating ability from its business operation. During the Track Record Period, revenue from performance guarantee accounted for approximately 60.7%, 19.8%, 59.8% and 50.8% of our revenue from non-financial guarantee service for each of the three years ended 31 December 2012 and the five months ended 31 May 2013 respectively. During the Track Record Period, the amount of guarantee fees charged by us for our performance guarantee services usually ranged from 0.5% to 3.5% of the guarantee amount.

(C) Financial consultancy services

Our Group also provides tailor-made financial consultancy services to our customers by entering into consultancy services agreements with our customers. We may, at the customers' requests, provide (a) consultancy services alone or (b) consultancy services together with our financial guarantee services. We principally propose different methods of financing to our customers for them according to their needs and circumstances and assisting them to apply for financing. We may introduce them to our guarantee services depending on individual circumstances and if they satisfy our requirements and risk assessment criteria. We may also recommend other financing methods or financial products to our customers. During the term of the financial consultancy services agreement and within the services scope prescribed in such agreement, our Group provides financial consultancy services by a variety of acts, such as investigation, analysis, search of financing channels, designation of financing programme.

BUSINESS

During the Track Record Period, most of our customers for financial consultancy services were SMEs. As SMEs in the PRC may, due to their size of operation, lack experienced staff in handling loan applications, and they also may not be familiar with compliance matters regarding relevant rules and regulations or lending institutions' requirements, we believe that, with our established cooperation with lending banks and institutions and experience in the financial services field and hence our ability to understand the requirements of lending institutions, trends in the market as well as financial products offerings in the market, we would be able to provide all-round financial consultancy services to our customers that suit their needs and we believe financial consultancy services would also be a good opportunity for us to expand and diversify our business.

Our financial consultancy services aim to enable our customers to understand recent developments of financing regulations, policies, market practice and product offerings and to establish better communication with the lending institutions. With our expertise in the lending criteria and loan approval process of lending institutions, we believe we are well positioned to provide financial consultancy services to our customers, or to assist them in obtaining financing and in the loan application process.

As advised by our PRC Legal Advisers, provision of financial consultancy services is within the scope of business specified in the business licence of Success Guarantee.

During the year ended 31 December 2011, our Group entered into 50 financial consultancy service agreements, all of which were entered into on a standalone basis (“**Standalone Agreements**”). During the year ended 31 December 2012, our Group entered into 56 financial consultancy service agreements, among which 38 were entered into on a standalone basis and the remaining 18 were agreements (“**Bundled Agreements**”) for which we also entered into a corresponding guarantee agreement. For the five months ended 31 May 2013, our Group entered into 39 financial consultancy service agreements, among which 4 were Standalone Agreements and 35 were Bundled Agreements. For the Bundled Agreements, a standalone financial consultancy service agreement and a guarantee agreement were entered into between our Group and our customers respectively. We provided guarantee services in respect of the financing obtained by our customers under the Bundled Agreements. The financial consultancy fee and the guarantee fee were separately quoted and stated in the respective agreements. For the Bundled Agreements entered into by our Group during the year ended 31 December 2012 and the five months ended 31 May 2013, the average guarantee amount for the corresponding guarantee agreement was approximately RMB5.3 million and RMB4.1 million respectively. The relevant guarantee amounts ranged from approximately RMB2.0 million to RMB10.0 million for the year ended 31 December 2012, and from RMB1 million to RMB10 million for the five months ended 31 May 2013. For all Standalone Agreements and Bundled Agreements entered into during each of the two years ended 31 December 2012 and the five months ended 31 May 2013, the average service term of the financial consultancy service agreements entered into by our Group was approximately three months, two months and one month respectively; and the financial consultancy services contemplated under such agreements were completed by the end of the respective financial year/period during which they were entered into.

For both the Standalone Agreements and the Bundled Agreements we charge consultancy fees in return for our service at a sum determined on a case-by-case basis with reference to, among others, the proposed loan amount, the nature, complexity and estimated amount of work required to be done in relation to the financial consultancy services involved, and such fees are subject to commercial

BUSINESS

negotiations between our Group and our customers. During the Track Record Period, the average consultancy fee we charged under the Standalone Agreements was approximately RMB249,000, ranging from approximately RMB10,000 to RMB2,200,000; and the average fee we charged under the Bundled Agreements was approximately RMB36,000, ranging from approximately RMB5,000 to approximately RMB200,000. The consultancy fee charged for the Bundled Agreements was ancillary to the related guarantee services we provide and ranged from approximately 0.2% to approximately 2.0% of the guarantee amount. The guarantee fee charged for our guarantee service in relation to the Bundled Agreements were determined based on the general fee rates charged for a standalone guarantee agreement, taking into account the relevant guarantee amount and the prevailing market fee rate for guarantee services. During the Track Record Period, the guarantee fees charged under the Bundled Agreements Period ranged from 1.5% to 3% of the guarantee amount for guarantees with a term of no more than 12 months, while we charged 4.5% of the guarantee amount for the guarantees with a term of 18 months and 6% for the guarantees with a term of 36 months. During the Track Record Period, for each of the Bundled Agreements, the aggregate amount of the consultancy fee and the respective guarantee fee charged ranged from approximately 2.0% to approximately 7.5% of the guarantee amount. For illustrative purpose only, such aggregate amount of consultancy fee and guarantee fee in respect of each Bundled Agreement we entered into during the Track Record Period was below the maximum rate stipulated under the Opinions on SME Guarantee System. As advised by our PRC Legal Advisers, the Opinions on SME Guarantee System does not contain any specific provision which governs the amount of financial consultancy fee and/or the aggregate fee described above that can be charged by a financial guarantee company. Having considered that (i) the charging of our Group's consultancy fee rates is not restricted by any regulations, and (ii) during the Track Record Period, the consultancy fee charged by our Group in addition to the guarantee fees did not violate the Opinions, the Joint Sponsors are of the view that the charging of fees under consultancy contracts is not for the purpose of circumventing the maximum guarantee fee requirements and the fee rate charged for guarantee services in the Bundled Agreements are reasonable. Financial consultancy fees charged by us are payable by instalments or due upon signing of the consultancy service agreement or signing of the loan agreement to be entered into between the lending institution and our customer. As advised by our PRC Legal Advisers, the rate or range of the financial consultancy fees charged by us are not subject to any legal or regulatory requirements in the PRC. For further information, please refer to the section headed "Business — Pricing strategies" below.

While the target customers of our financial consultancy services will continue to be SMEs, we plan to broaden our source of customers for such services through the expansion of our financial guarantee business operations. In line with our plan to expand the market presence of our guarantee business to cities in the Guangdong Province other than Foshan City, our financial consultancy services can be introduced to our customers in such cities, depending on the market need for such services, the human resources available for our Group's geographical expansion and the rate of return from such services.

(D) Contracts under a typical guarantee transaction

In a typical guarantee transaction, parties will enter into the following contractual arrangements:

- (1) *Guarantee contract with our customer.* Our Group will enter into a contract for provision of guarantee services with our customer, pursuant to which our Group agrees to provide a guarantee in respect of, in case of a financial guarantee, repayment of the loan provided by the lending institution for our customer; or in case of a litigation guarantee, compensation to the litigating

BUSINESS

counter-party for the loss suffered as a result of the freezing of such counter-party's property as a result of our customer's inappropriate application for property preservation; or in case of a performance guarantee, performance of the contract by our customer with its counter-party. The contract sets forth the material terms of the guarantee, including but not limited to the type, use, amount of obligation guaranteed, term, name of the lending institution or beneficiary, guarantee fee, manner of payment, payment date and counter-guarantee condition.

In case of a financial guarantee, the maximum liability of our customer to our Group on the guarantee transaction will be an aggregate amount of the outstanding principal and accrued interest thereon, and the penalty, damages and costs claimed by the lending institutions if our customer should fail to pay the lending institution in full.

In case of a litigation guarantee, the maximum liability of our customer to our Group will be the amount of the guaranteed obligations owed and payable by us to the counter-party in the litigation. The customer will be obliged to pay our Group an amount which equals the amount we paid to the counter-party, plus interests and an agreed amount in default if the customer fails to pay us on time, and to reimburse us for our costs incurred.

In case of a performance guarantee, the maximum liability of our customer to us on the guarantee transaction will be the amount of the guaranteed obligations owed and payable by us to the counter-party of the contract entered into between our customer and such counter-party. The customer will be obliged to pay our Group an amount which equals the amount we paid to the counter-party, plus interests and an agreed amount in default if the customer fails to pay us on time, and to reimburse us for our costs incurred.

- (2) *Counter-guarantee contract.* Our Group will require our customer, its owner(s) or director(s), his/her spouse or other third party to execute a counter-guarantee contract in favour of our Group, pursuant to which a guarantee and/or collaterals will be provided by our customer and/or its owner/director and/or his/her spouse or any third party to secure the guarantee. The counter-guarantee will only be discharged after our Group is fully discharged from the guarantee provided to the lending institutions (in case of financial guarantee), or where relevant litigation proceedings are completed and the case is closed (in case of litigation guarantee), or the relevant contractual obligation under the contract between the customer and its counter-party has been fulfilled by the customer (in case of performance guarantee).
- (3) *Guarantee contract with the lending institution or guarantee letter to the court or the counter-party.* Our Group will enter into a guarantee contract with or issue a guarantee letter to the lending institution (in case of a financial guarantee) or issue a guarantee letter to the court or the contractual counter-party of the customer (in case of a non-financial guarantee), pursuant to which our Group agrees to guarantee the obligations of our customer under the loan agreement between the lending institution and our customer (in case of a financial guarantee), the application by our customer for property preservation with the court (in case of a litigation guarantee), or the contract between the counter-party and our customer (in case of a performance guarantee).

BUSINESS

In case of a financial guarantee, the maximum liability of our Group to the lending institution on each financial guarantee transaction depends on the aggregate amount of the outstanding principal and accrued interest thereon. The term of financial guarantee will take effect from the date of the draw-down by our customer(s), and will end when the loan is fully repaid by the customer to the lending institution. Similarly, the counter-guarantee will cover the same period to protect the interests of our Group.

In case of a litigation guarantee, the maximum liability of our Group to the relevant litigating counter-party in each case shall be the amount of the guaranteed obligations in respect of the assets frozen by the court as a result of the application made by our customer, which shall be equivalent to the value of assets (as stipulated under the guarantee letter issued to the court) against which the property preservation order is imposed. The period of provision of such guarantee will take effect from the date when the guarantee is duly executed by our Group, and will end following completion of the litigation proceedings when the judgement made by the court is effective. Similarly, the counter-guarantee will cover the same period to protect the interests of our Group.

In case of a performance guarantee, the maximum liability of our Group to our customer's counter-party on each performance guarantee transaction shall be the amount of guaranteed obligations as stipulated in the guarantee contract entered into between our customer's counter-party and us. The period of provision of performance guarantee is determined in accordance with the nature of the guarantee and will take effect from the date when the guarantee is duly executed by our Group, and will end following the date of due performance of our customer's contractual obligations or the day when such contract is terminated. Similarly, the counter-guarantee will cover the same period to protect the interests of our Group.

INTERNAL CONTROL AND RISK MANAGEMENT

Overview

Internal control and risk management is an integral part to the success of our Group's business. Our risk management functions start from pre-transaction assessment, in-transaction risk evaluation, product design, pricing determination and counter-guarantee requirement design to post-transaction ongoing monitoring.

To better manage our risks and improve our internal control, our Group has implemented a set of internal guidelines and operation manuals which set out various guidelines, instructions and operational rules regarding business management, business operation procedures, human resource management, administration management and finance management. In this regard, we offer on-job trainings and seminars to our staff in relation to the recent developments of the PRC economy and the guarantee industry, updates on the relevant laws and regulations and reviews on our Group's internal guidelines. We have a risk control department, comprising our risk control director with more than 18 years of experience in the banking industry and over four years of experience specialising in the guarantee industry in addition to his banking experience, and four risk control managers, three of whom having approximately one to five year(s) of experience in the financial industry, and one being a PRC certified public valuer with over 15 years of valuation experience in the PRC. We also have a risk management committee, comprising four members with more than seven years of experience in the financial services field, with a variety of expertise in overall management and risk management functions.

BUSINESS

2011 internal control review and our IT management system

In 2011, we engaged a professional internal control review company for business consultation purposes with a view to enhancing our Group's business operation capacity, strengthening our internal control and risk management system, and paving the way and getting ourselves prepared for the development of a more sophisticated computerised IT management system to cope with our Group's continuous business expansion and long-term business development in the future. Based on the 2011 internal control review, our Group had implemented sufficient control to manage the key risks associated with our business processes and there was no significant internal control deficiencies, while several areas for improvements had been identified in the 2011 internal control review. Post-guarantee information collected was not systematically centralised and a computerised information technology management system which could improve the efficiency of the analysis and comparison of the customer information. In particular, with a manual filing system of customer records, the management may not be able to analyse the historical information of customers and compare customers from same industry effectively. Besides, information provided in the post-guarantee monitoring report was not comprehensive enough for management reporting. In certain cases, opinions provided by the project managers in the reports were not conclusive or information provided was not sufficient for our management to impose effective risk control measures. Inconsistency between internal guidelines, policies and the actual practice of the work processes was noted due to the lack of (i) regular review on the implementation of our internal guidelines; and (ii) timely and regular update on the internal guidelines and policies to satisfy the needs of the expanding business of our Group. For instance, it was reported that for certain guarantee applications, after preparing checking lists of approval documents the project managers did not carry out follow-up procedures in accordance with our internal guidelines such that the lists were not signed by all relevant handling officers of our Group. Moreover, during the 2011 internal control review, it was noted that there was a lack of a hierarchical guarantee application approval system based on the level of risk exposure such that, regardless of the relevant guarantee amount, every guarantee application had to be reviewed by our risk management committee and, even for guarantees applications with a relatively low level of risk exposure, its guarantee approval authority could not be delegated to departments other than our risk management committee. In view of (i) the workload saturation faced by our Group; and (ii) the growth in the number of guarantee applications and the variety of guarantee services we provide, it was identified that such approval process of our Group may not be able to fulfill the need for operational efficiency and accurate risk assessment in the course of our business expansion. Further, it was noted that systematic employee training were not established and implemented. Some of our employees did not receive complete training on all of our internal guidelines and thus they did not possess a full understanding of such guidelines.

In view of the areas for improvements identified during the 2011 internal control review, remedial actions had been taken by our Group. A computerised information technology management system was developed and implemented by us in January 2013 to improve the operational efficiency and risk management. Also, starting from the fourth quarter of 2012, the quarterly meetings for analysing and reviewing work performed for post-guarantee monitoring were organised. Besides, the internal guidelines and policies have been comprehensively reviewed and updated in 2012 to reflect the existing business processes and practice. Going forward, in view of the continuous business expansion, we will consider to establish a hierarchical guarantee approval system based on the level of risk exposure and develop standardised risk assessment parameters as reference for our risk assessment and approval process.

BUSINESS

To facilitate our business and operations management, internal control and risk management, we developed a computerised management system which has been implemented since January 2013. Prior to such implementation and during the Track Record Period, we adopt a paper documentation and written approval management system for handling and managing our operation procedures from receipt of guarantee application, due diligence investigation, review and approval of application, execution of guarantee transaction documents, post-transaction management to file management, under which we adopt paper filing and archiving of our work documents and information obtained. Our Directors considered that our Group maintained filing of adequate records and documentation during the Track Record Period. The following are the major functions of the computerised management system which we have implemented since January 2013:

- Industry management — through the classification of customers by industry, we will be able to manage and monitor our total guarantee outstanding amount among each industry;
- Marketing management — we can access customers' information easily which complement our marketing activities; and our marketing activities can also be better managed by the management since they can track the marketing status online;
- Credit rating — based on customers' information input to the system, the system can generate credit rating of our customers for our reference and further analysis;
- Approval management — each step of approval process will be carried out and recorded under the system;
- Guarantee fee management — once the guarantee application has been approved, notice of reminder will be generated to the finance department for confirmation of receipt of guarantee fee and all relevant departments will be able to track the status of guarantee fee receipt;
- Post-guarantee monitoring management — work done for post-guarantee monitoring is recorded to the system for better post-transaction management;
- Financial statements management — we can generate a series of statistical reports for our analysis and consolidation; and
- File management — documents obtained and documents for review and approval will be scanned and uploaded to the system for access and review by relevant departments.

We believe that the implementation of the computerised management system enables us to, among others, enhance, standardise and computerise many aspects of our internal control, including client management, guarantee approval process and post-transaction monitoring; and we could also build up our database of customer information through the use of this system. Our Directors are of the view that the system enhances our risk management process in various ways, for instance, under the system, alert or reminder will be generated to remind different departments to take relevant follow up actions upon or prior to the occurrence of certain events, for example, when loan is due for repayment by customer, when it is time to carry our post-guarantee monitoring work, and when there is unfinished tasks which are overdue. Risks involved in the approval process can also be reduced as data entry into the system and each step of review and approval have to be strictly in accordance with the designed system processes and confirmed step by step, thereby reducing the risk of mistakes such as skipping a level of approval. Moreover, through the system we can set different transaction ceilings such as approval limit per transaction, guarantee amount per each cooperative lending institution, etc. to limit our risk of non-compliance and breach of laws and regulations and terms of cooperative arrangements with lending institutions. Further, we can generate consolidated statistical statements showing our business structure, industry distribution of our customers, rate of approval of guarantee application,

BUSINESS

etc. for our management to consider in business strategy planning so that risks such as industry risk can be controlled. With the use of the computerised management system, our management could monitor our business operations more efficiently online; and we could also retrieve or update customer data and credit information more efficiently through the use of this system. We believe standardisation and computerisation of our management system could also provide a platform for our expansion.

2013 internal control review

In February 2013, our Company engaged another internal control consultant (“**Consultant**”) to perform an assessment of internal controls over certain business processes of our Group for the proposed Listing. The objective of this assessment is to assist our Company in identifying internal control weaknesses in relevant financial procedures, systems and internal controls, and provide recommendations for improvement in relation to the proposed Listing. The scope of the engagement was agreed with our Company and the Joint Sponsors, covering the major businesses of our Group, including the consultancy service, guarantee service and cooperating bank management. It also covered the corporate level controls, and the key business processes, i.e. cash management, compliance management, human resource management and fixed asset management, etc.

The Consultant had identified some key findings on guarantee service and compliance management. It was recommended by the Consultant that Success Guarantee should maintain a list of collaterals under counter-guarantee measures in the due diligence investigation process. Quantitative analysis on the assessed value on the collaterals to the guarantee amount should be performed in the review and approval processes. Our Company was also recommended by the Consultant to develop a list of related parties of Success Guarantee, including its affiliates, its shareholder(s) who hold(s) 5% or more of its equity interest and its/their affiliates, and to regularly update and circulate such list to ensure the compliance with Article 36 of the Implementing Rules. Besides, the Consultant recommended our Group to formally establish a compliance department or appoint compliance personnel, who is independent from the daily operation and management decision, to monitor and oversee the compliance matters of our Group. The compliance department or compliance personnel should review each transaction of Success Guarantee, and any non-compliance matters should be reported to the management and an Audit Committee timely. All of the major recommendations proposed by the Consultant have already been implemented by Success Guarantee effective from July 2013.

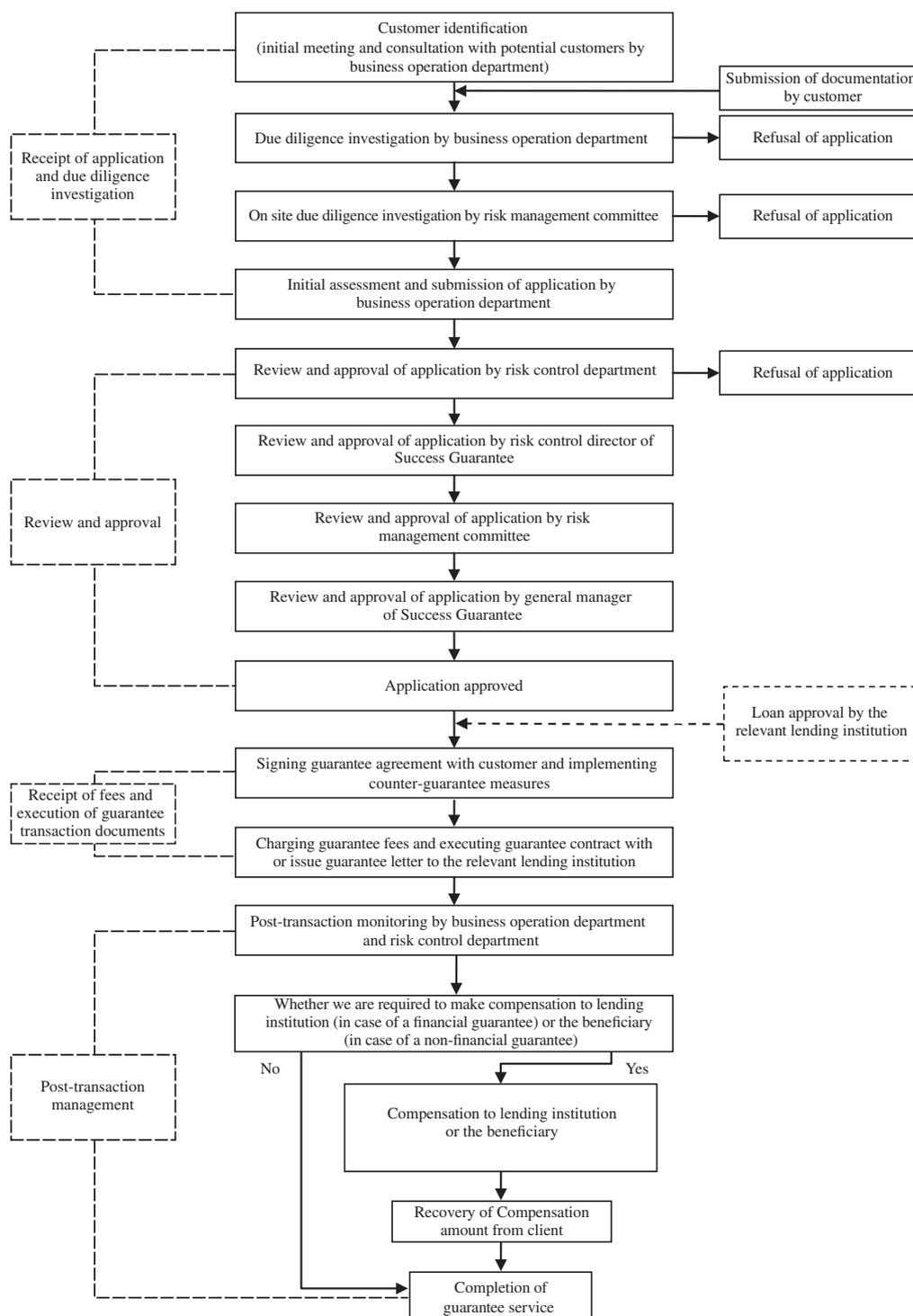
In light of the foregoing, the Joint Sponsors are of the view that our Group has adequate and effective internal control procedures in place for the purpose of Rule 3A.15(5) of the Listing Rules.

The core of our business is to provide guarantee services based on our risk assessment of our customers and assessment of their loan repayment capacity. We have taken measures and steps to identify those risks and to minimise or manage such risks at every stage of our guarantee approval process, from pre-deal due diligence, in-transaction risk evaluation to post-guarantee monitoring process. Accordingly, our Directors believe that our existing measures in place can sufficiently protect our Group’s interest in the guarantee services we provide to our customers. For further information, please refer to the paragraph “Guarantee approval and operation process” under this section.

BUSINESS

Guarantee approval and operation process

Our risk management starts from the guarantee approval process and continues to the post-transaction monitoring process. The diagram below summarises our Group's guarantee approval process from initial contact with potential customer, acceptance of an application to completion of our guarantee services:



BUSINESS

1. *Customer identification, initial assessment of application and acceptance of application*

Our Group identifies potential customers mainly through our sales and marketing efforts, recurring customers and referrals from our existing or past customers and cooperating banks and other institutions. We also participate in certain cooperative programmes organised by the local governments in the PRC for the purpose of assisting SMEs in obtaining financing for their business development, including the Eagle Scheme and the Flying Dragon Scheme which enable us to demonstrate our competence and an opportunity to broaden our clientele. Our business operation department will conduct initial meetings with potential customers to screen out potential customers who meet our basic requirements (for instance, an individual is required to attain legal age, and an enterprise is required to be a validly existing entity with at least two years of operation) and to understand their needs. The potential customer who meets our basic requirements may be requested to complete an application form detailing, with supporting documents, the amount of guarantee, duration of guarantee, proposed use of funding under the guarantee, proposed means of repayment, the type, size and location of available collateral(s), the provision of counter-guarantee, the identity and any other encumbrances associated with the collateral(s) or the customer. We will also require the applicant to provide a set of its corporate documents, including but not limited to its valid business licence, certificate of approval, taxation certificate, audited financial statements and capital verification report(s).

Upon receipt of documentation from our potential customer, our business operation department will take the first step to assess the application and conduct preliminary screening, and to decide whether to accept the application for further consideration. Applications which do not meet our basic requirements will be refused.

When an application is accepted for consideration, under normal circumstances, two officers (including the project manager) of our business operation department will be assigned to handle each project, whereas one risk control manager will be assigned to follow the project.

As at 31 May 2013, our business operation department has 25 members. Our business operation department is led by Mr. Yuan Chen, our vice general manager, whose qualification and experience is disclosed in the section headed “Directors, senior management and staff” in this prospectus.

2. *Due diligence investigation and site visits*

When the application has been accepted for consideration, our business operation department will conduct due diligence investigation and assessment focusing on, among others, (i) the applicant’s background information, (ii) operational condition, (iii) financial condition, (iv) purpose of financing and the ability and source of repayment, (v) condition of the counter-guarantee to be provided by the applicant; and (vi) counter-guarantees to be given. Due diligence investigation in relation to each applicant includes an investigation of the financial, business and legal aspects of the applicant’s affairs based on our internal guidelines. Our investigation may include but is not limited to the following steps:

1. to verify the information contained in the application and documentation;

BUSINESS

2. to examine the applicant's corporate documents such as business licence, certificate of approval, taxation certificate to verify the validity of its business;
3. to review the applicant's financial statements of the latest period and financial statements for the two latest financial years, bank statements and its capital verification reports to verify its financial position;
4. to assess the credibility and reputation of the applicant in its industry by analyzing its operational efficiency and financial condition through obtaining and reviewing the corporate information, financial statements, taxation certificate, bank statements, utility bills, identification document of its shareholders, etc. and checking those documents against the originals, obtaining information of applicants, their shareholders and counter-guarantee providers through independent sources such as local administration for industry and commerce, the People's Bank of China Credit Reference Centre, websites of courts of the PRC and through site visits;
5. to conduct a review of the industry in which an applicant operates and to consider the industry's growth potential, size, trends, prospects, market outlook and general economic factors by analyzing and reviewing industry or market information we obtain from independent sources such as government authorities, local industry associations and information available from the media and the Internet, which we may verify by comparing and cross-checking with information available to us of our other customers in similar industry;
6. to verify the accuracy of the information provided by the applicants in relation to their credit, operational and financial conditions through obtaining information issued by third parties, including but not limited to the local administration for industry and commerce, the People's Bank of China, public utility bodies or tax bureaus;
7. to conduct site visits to the applicant's place of operation and to perform interviews with the owners, senior financial and executive officers and key personnel of the applicant in order to understand its business operation and mode of management;
8. to conduct on-site verification of information provided by the applicant and examination of the proposed collaterals;
9. to request and examine a list of collaterals (if any) to be provided by the applicant and/or its owner(s) under the counter-guarantee; and
10. to assess the value of the proposed collaterals (if any) under the proposed counter-guarantee. For further information, please refer to the paragraph headed "Customised proposals for counter-guarantees" in this section below.

Our risk management committee will also participate in the preliminary due diligence process. In particular, the major procedures which we require our risk management committee to perform for on-site due diligence include: (i) conduct interviews with key personnel and employees of the applicants to understand background, business operation and financial performance of the applicants, purpose of the loan and the source of funding for repayment; (ii) conduct site visits to the applicants' place of operation to understand their business operation and verify the information provided by the applicants; (iii) conduct selective checking of originals of documents or information provided by the applicants; and (iv) examine the condition of the proposed collaterals.

BUSINESS

We conduct review of an applicant's business and operating history and financial affairs, which may include but is not limited to reviewing the financial statements and management accounts, inventories and core assets of the potential customer, reviewing the shareholding structure, legal and beneficial ownership of the potential customer, personal assets and liabilities of the shareholders of the potential customer. Under the internal guidelines, our risk control manager shall participate in checking of, among other matters, accounts and inventories of our potential customer, whereas he/she may at his/her discretion participate in other site visits and investigations.

After conducting due diligence investigation and assessment, our business operation department will issue a due diligence report (擔保調查報告) setting out its findings from the investigation with detailed analysis of the customer's financial condition, cashflow condition, business operation, industry review, repayment ability, future business development plan, capital requirements, condition of collaterals under proposed counter-guarantees, credit risk, reasonableness of loan purpose, suggestion of risk control measures and its opinion and recommendation on the application, which will also include, among others, recommended guarantee amount, guarantee period, guarantee service fees, method of repayment, counter-guarantees to be obtained and post-transaction monitoring measures to be adopted, for review by our risk control department. As at the Latest Practicable Date, our risk control department comprised five members. Our risk control department is led by our risk control director, Mr. Zhong Zhiqiang, whose qualifications and experience are disclosed in the section headed "Directors, senior management and staff" in this prospectus.

3. ***Examination and approval according to internal procedures by (i) risk control managers and risk control director, (ii) risk management committee and (iii) general manager of Success Guarantee***

Once the application meets the qualifying requirements under our internal guidelines, it will be forwarded to our (i) risk control managers and risk control director; (ii) risk management committee; and (iii) general manager of Success Guarantee for further review and approval. As confirmed by our Directors, during the Track Record Period, there was no instance of any departure from the above standard approval procedures. Our risk management committee comprised four members and one secretary, each member with professional qualification and experience in at least an area of finance, bank credit, risk control and legal compliance. The four members of our risk management committee are, namely, Mr. Li Bin, our executive Director and chief executive officer; Ms. Dai Jing, the senior vice general manager of Success Guarantee; Mr. Yuan Chen, the vice general manager of Success Guarantee; and Mr. Zhong Zhiqian, the risk control director of Success Guarantee, whose qualifications and experience are also set out in the section headed "Directors, senior management and staff" in this prospectus. Among them, each of Mr. Li Bin, Ms. Dai Jing and Mr. Zhong Zhiqiang has over ten years of experience in the banking industry specialising in loans and credits and attained management position before each of them left the banking industry, providing them with solid background knowledge and experience in loan approval and management process which is closely related, and to a certain extent, similar to guarantee approval process and management. Mr. Yuan Chen, who has more than eight years of experience in the guarantee business and was awarded as an outstanding management personnel in guarantee business in Foshan by Foshan Guarantee Association (佛山市信用擔保行業協會) for the year 2008 and 2009, also possesses the relevant sufficient experience for guarantee approval and management. The committee secretary is designated by our risk control department. In order to maintain independence and segregation of duties in the approval

BUSINESS

process of guarantee applications, the committee is directly under the supervision of the board of directors of Success Guarantee, the operating subsidiary of our Group and independent of our other departments. Each guarantee application or project has to be approved by 100% of the votes of the committee members who are not required to abstain from voting.

Our risk management committee will review the guarantee applications, examine the due diligence reports and pass the resolutions approving, or disapproving each application. Post-transaction monitoring requirements including frequency of assessment and information to be obtained will also be included in the resolution approving the application. Although members of our risk management committee are also involved in the preliminary due diligence investigation in order that they can have a full picture of the operation condition of each guarantee applicant in the earlier opportunity prior to making approval decision, only our business operation department is responsible for such due diligence work and for preparation of the due diligence report; our risk management committee will not intervene with the due diligence work carried out by our business operation department, and they will not give any opinion to our business operation department regarding the approval of guarantee application during the stage of due diligence. More importantly, none of the members of our risk management committee is responsible for handling any particular guarantee application or transaction. Based on the above, we consider that there is clear segregation of duties between our risk management committee and our business operation department.

After the risk management committee meeting, resolutions passed by our risk management committee will be checked and endorsed by our risk control director and passed to the general manager of Success Guarantee for his review and approval, who may either approve or disapprove a guarantee application which has been approved by our risk management committee, or send any guarantee application which has been disapproved by our risk management committee for re-consideration for approval by our risk management committee if he considers that there is fundamental improvement in the business operating condition of the applicant, or where there is significant reduction in the risks of default by such applicant. During the Track Record Period, the general manager of Success Guarantee has not requested the risk management committee to re-consider any rejected application.

According to our internal procedural guidelines, the chairman of Success Guarantee has the right of veto in the guarantee application approval process, although he has no right of approval in the guarantee application approval process. Each rejected guarantee application can only be re-considered for approval once. For the sake of clarity, no one has the right to approve an application declined by our risk control department, risk management committee or the general manager of Success Guarantee. For factors which we consider in approving a guarantee application, please refer to the paragraph headed “Factors to consider in guarantee approval process” in this section below.

4. Execution of guarantee contracts and counter-guarantee contracts and the implementation of the counter-guarantee measures

After our risk management committee and the lending institution have approved the guarantee application and the loan application respectively, the guarantee contract between our customers and us and the relevant counter-guarantee contracts will be prepared in accordance with the requirements stipulated in the resolution passed by our risk management committee. According to our internal guidelines, the execution of such contracts must be witnessed by our project manager and legal staff, who must verify the identity of the signatories prior to the execution.

BUSINESS

After the execution of such contracts, we will implement the counter-guarantee measures in accordance with the resolution passed by our risk management committee. In certain circumstances, we will apply for the registration of our interests in the collaterals under the counter-guarantee contracts. If properties of our customer are pledged to the lending institution under the relevant loan agreement, we will also request for a copy of the security documents from the lending institution.

5. *Execution of guarantee contract with the lending institution*

After the execution of the guarantee contract between our customers and us, we will require our customer to pay the guarantee fee to us according to the terms therein, usually within one day after the execution of such contract and our finance department will issue a receipt to our customers after confirming the payment of guarantee fee.

Our project manager, risk control department and our senior vice general manager of Success Guarantee, who is a qualified lawyer in the PRC, will review the relevant legal documents in relation to the financial guarantee transaction, including but not limited to the guarantee contract, the counter-guarantee contracts, the board resolution of our customer approving the execution of such contracts (if any) and the loan application letter. After they have confirmed that the documents required for the financial guarantee transactions are ready, we will execute the guarantee contract with or issue the guarantee letter to the lending institution.

6. *Post-transaction risk monitoring*

In order to identify as early as possible any problems that would affect a customer's ability to repay a guaranteed obligation, our Group monitors the performance of all customers after the issuance of guarantee and implements the post-transaction monitoring measures approved by the risk management committee, which stipulate, among others, the key monitoring requirements for various financial or operational indicators, such as the customer's monthly revenue or electricity usage. During the guarantee period, the project manager assigned to each case will liaise closely with the customer to understand, assess and monitor the customer's financial condition, business operation, use of funds, material changes in management, counter-guarantee condition and performance of obligations under the guarantee contract, and will conduct regular assessment of the customer's business operation and/or assets and liabilities. As part of our post-transaction risk monitoring measures:

- (i) we conduct regular site visits (either from time to time as we consider appropriate, monthly, quarterly or half-yearly, depending on the relevant counter-guarantee conditions and the particular circumstances in each case) and/or ad-hoc inspections at the place of operation of our customers to assess its business operation and at the collaterals charged to us;
- (ii) we regularly (either from time to time as we consider appropriate, monthly, quarterly or half-yearly, depending on the relevant counter-guarantee conditions and the particular circumstances in each case) collect corporate information including but not limited to accounting and financial information, tax filing, utility records (e.g. records of electricity bill or water charges), purchase order, delivery note, etc. from our customers in order to review and assess the financial condition, business operation, sales condition, risks and prospects of the customers;
- (iii) where circumstances require, we will engage a third party to monitor the level of our customers' inventory charged to us. Pursuant to the agreement signed among such third party, the customer and us, the third party shall be responsible for (i) the safekeeping of the inventory charged to us

BUSINESS

and stored at a property agreed by the parties; (ii) monitoring the level of inventory by examining, among others, the value and quantity of inventory inflow and outflow; (iii) ensuring the value of the inventory is kept at a level stipulated under the contract; and (iv) regularly issuing a list of charged inventory to us. If the value of charged inventory falls below the level stipulated under the contract, such third party will be liable to us for any resultant loss. Where we consider that the risks of default associated with a customer increases due to changes in its business conditions, we will require that the minimum inventory level be increased;

- (iv) through the communications with our customers, our project managers will seek to understand their market conditions and business plans, identify potential risks in their operation and propose measures to manage such risks, with an aim to minimise their risks of default on loans guaranteed by us;
- (v) after conducting each post-transaction regular review (either conducted from time to time as we consider appropriate, monthly, quarterly or half-yearly, depending on the relevant counter-guarantee conditions and the particular circumstances in each case), the project manager shall submit the post-transaction monitoring report setting out his findings, together with the information obtained from customers during the regular review, to our senior vice general manager of Success Guarantee for approval and to our risk control department and risk management committee for review;
- (vi) based on the circumstances of each case, our project managers implement and/or modify the post-transaction monitoring measures to monitor our risk, subject to the approval of our senior vice general manager of Success Guarantee. If the risks of default associated with a customer increase, we will (i) elevate our monitoring level on such customer by increasing the frequency of site visits and by including our senior vice general manager and/or our general manager of Success Guarantee in the regular monitoring process; and (ii) tighten the conditions for cooperation with such customer for guarantee transactions under the approval process or in the future, such as reducing the maximum guarantee amount, increasing the amount of counter-guarantee required, increasing the guarantee fee rate or even rejecting its application for further guarantee services; and
- (vii) according to our internal guidelines, upon being aware of any material risk of default on loan payment by our customers, the project manager shall report it to the head of business operation department within the day when he is aware of such risk, and thereafter the business operation department shall submit written report setting out the issue and suggestions on tackling such issue to our general manager and our risk control department within two days.

We keep track of changes in any information of our customers and collate such information for ease of analysis and to ensure information in our database is up-to-date. For each case, the project manager shall regularly submit to our senior vice general manager a post-transaction monitoring report, which typically contains an analysis of the customer's business, including but limited to its business environment, corporate strategies, management, use of funds, operational data and financial conditions, and a proposal as to the post-transaction monitoring measures to be adopted for the senior

BUSINESS

vice general manager's approval. To further manage our risk, our risk control department shall review the documents collected from the customers and the reports prepared by the project manager, and shall also conduct site visits to assess the operation of the customer and to identify any potential risks associated with it.

Our Group will continue to adopt the prudent approach on the approval of the guarantee application and reinforce the post-transaction monitoring.

Factors to consider in guarantee approval process

Our risk management starts from the guarantee approval process to post-transaction monitoring process. In the guarantee approval process, it is important for us to analyse the loan repayment capacity of each applicant so that we only approve applications for guarantees the applicants of which are able to repay the loans to lending institutions. Each of our business operation department, risk control department and risk management committee will analyse the information we gathered in our due diligence investigations and form an opinion whether they are satisfied that the potential customer is likely to be able to repay the loan upon maturity. Set out in the table below are examples of the factors which we would consider in typical guarantee application approval process according to our internal guidelines:

Factors to consider	Relevant information to obtain
Condition of an individual (an individual applicant, or the beneficial owner, spouse or family members of a company applicant)	Personal information, family assets, industry experience, bad credit record
Basic condition of corporation	Relationship with management, corporate credit, related enterprise
Operational condition of corporation	Industry background, raw material, products, product manufacturing condition, inventory, sales, employees, R&D capability and patents, machineries, prospect
Financial condition of the borrower company	Repayment ability, operational efficiency, profitability, growth ability
Use of loan proceeds	Details on the proposed use of loan proceeds and the ability to monitor the progress of repayment

BUSINESS

Customised proposals for counter-guarantee measures

Our Group emphasises the importance of loan repayment capacity of our potential customers. The core of our business is to provide guarantee services based on assessment of our customers' loan repayment capacity. Based on the information we gathered from our due diligence process, our analysis of the operating condition of the guarantee applicants and based on our experience, we assess the risk and the ability of guarantee applicants to repay the loans to lending institutions and approve applications which we are of the view that the risks can be managed and the loans can be repaid.

Apart from this, as a safeguard to our Group's interest as a provider of guarantee services and to ensure our customers can repay us upon default, we design counter-guarantee measures and require our customers and/or their owners or third parties to enter into counter-guarantees under which collaterals and/or counter-guarantees are obtained as security for provision of our guarantee services. Unlike the lending institutions that primarily require the SMEs to provide fixed assets (such as land-use rights and properties) as collaterals for loan facilities, our Group may also accept other assets for counter-guarantee purpose, such as charges over machineries and equipment, vehicles, inventories, receivables, constructions on leased land, tenancy right, sub-letting right, insurance beneficiary right and unlisted shares. We may also accept collaterals and/or counter-guarantees provided by third parties if our customers themselves do not have sufficient assets as collaterals.

Regarding accounts receivables and tenancy rights, we will enter into a collateral agreement with the counter-guarantor, pursuant to which the counter-guarantor agrees to charge to us the accounts receivables of the counter-guarantor (in the case of accounts receivables) or the rental income from leases of the counter-guarantor (in the case of tenancy rights). Where we have indemnified the lending institution upon our customers' default, we will be entitled to the proceeds of the accounts receivables or the rental income upon realisation of the relevant collateral.

Regarding sub-letting rights, we will enter into an agreement with the counter-guarantor, pursuant to which the counter-guarantor, who is a lessee of the relevant land and/or properties, agrees to transfer the right to sub-let such land and/or properties to us where we have indemnified the lending institution upon our customers' default and we shall be entitled to income from the sub-lease as repayment of the indemnified amount. Under such agreement, the counter-guarantor also agrees to remain responsible for the rental payment under the lease with the owner of the relevant land and/or properties. In addition, we will seek written consent from the lessor to the above arrangement to ensure our rights on sub-letting such land and/or properties are enforceable pursuant to Article 224 of the Contract Law of the PRC (中華人民共和國合同法), which stipulates that a lessee may sublease the lease to a third person subject to consent by the lessor. As at 31 May 2013, 61 counter-guarantors provided sub-letting rights to our Group as collaterals (and the lease agreements that they entered into require lessors' prior consent for sub-letting the relevant land and/or properties) and we obtained written consents from the relevant lessors in relation to the sub-letting rights provided to us by 17 counter-guarantors. As for the remaining 44 counter-guarantors, set out below is a summary, based on maturity dates, of the range of outstanding balance of guarantee amount of the contracts and the aggregate amount of outstanding

BUSINESS

balance of guarantee amount of the contracts under which sub-letting rights had been provided to our Group as collaterals but we had not obtained the necessary written consents from the relevant lessors as at 31 May 2013:

**Number of guarantee contracts and the relevant amount of
outstanding balance as at 31 May 2013
which will fall due (*Note*) during the year ending 31 December**

	2013	2014	2015
Number of corresponding counter-guarantors/customers	19	14	11
Range of outstanding balance	RMB0.1 million to RMB20.0 million	RMB0.8 million to RMB19.8 million	RMB2.0 million to RMB6.4 million
Aggregate amount of outstanding balance	RMB96.2 million	RMB74.1 million	RMB43.0 million

Note: Where a counter-guarantor or customer had entered into two or more outstanding guarantee contracts as at 31 May 2013 under which sub-letting rights was provided as collaterals, the latest maturity date among the relevant contracts is taken to be the relevant maturity date and the sum of all the relevant outstanding guarantee contracts as at 31 May 2013 in respect of such counter-guarantor or customer is taken to be the relevant outstanding balance.

We approved the above guarantee contracts without obtaining the relevant lessors' consents as we had also considered the other factors in our guarantee approval process including conditions of an individual, operational and financial conditions of the corporation and the use of loan proceeds and we had already entered into agreements with all the relevant counter-guarantors who agree to transfer the right to sub-let such land and/or properties to us in case indemnification is made by us upon default of loan repayment. All of the above guarantee contracts were secured by other types of collaterals except for one guarantee contract of which the outstanding balance as at 31 May 2013 was approximately RMB1.98 million.

As advised by our PRC Legal Advisers, in case where the necessary prior consent has not been obtained from the relevant lessor, the lessor are entitled to terminate the relevant lease agreements. We also regularly conduct physical inspection on the land and/or properties and verify that the counter-guarantor has properly paid the relevant rent to ensure the counter-guarantor has not breached the lease agreement and/or land use rights contract.

In cases where we consider that the assets of our customers are flammable or explosive, we may require our customers to transfer the insurance beneficiary rights over the relevant assets to us as a measure to protect our collaterals, entitling us to compensation from the insurance company. The insurance beneficiary rights transferred to us are mainly commercial property insurance. According to the Ipsos Research Report, the acceptance of accounts receivables, tenancy rights and sub-letting rights as collaterals and insurance beneficiary rights as a measure to protect the collaterals is in line with the common industry practice of the financial guarantee companies in the PRC. Pursuant to the Property Law of the PRC, interests in such accounts receivables, tenancy rights and sub-letting rights are property rights which can be pledged and registered. Upon due registration of such interests in accounts receivables, tenancy rights and sub-letting rights in favour of us, we will be able to claim

BUSINESS

priority on such collaterals. If our interests in such collaterals are not registered in favour of us or are not registered at all, we will not be able to claim priority on the collaterals. In accordance with the Property Law of the PRC, when such collaterals are pledged to us, they cannot be transferred, leased or licensed to any third parties without our prior consent. In view of the above, where we consider appropriate and practicable, we will ensure due registration of our interest in such collaterals shortly after the relevant counter-guarantee agreements are executed. In practice, for the sake of prudence, the registered value of our collaterals such as receivables is generally capped at our total guarantee amount in respect of the relevant customers. Further information on the realisation procedures of such collaterals are set out in the paragraph headed “Outstanding guarantees, compensation upon default and recovery” in this section.

Prior to the 2013 Valuation Capability Enhancement, during the due diligence process, our business operation department investigates the asset portfolio of the guarantee applicants, explores the options for counter-guarantees measures, ascertains the legal ownership of collaterals under the counter-guarantee proposals and assesses the value of collaterals and/or counter-guarantees under the counter-guarantees proposals with reference to our internal guidelines for valuation. During the due diligence process, in order to ascertain the existence and legal title of the relevant collaterals, our business operation department will obtain the title documents and other relevant information in relation to the collaterals, obtain public filing information or conduct searches or obtain information from the relevant authority such as the Land and Resources Bureau, the Industry and Business Administration and real estate exchanges, etc. to verify the legal title of the collaterals, and make site visits to verify the existence, condition and status of the collaterals. The proposals for counter-guarantees measures, together with the preliminary assessment of value of any collaterals, will be set out in the due diligence report and be recommended to our risk control department for further review. Depending on the type of collaterals, the circumstances and the information available to us, we conduct our internal valuation of collaterals with reference to various sources, including but not limited to land valuation reports, public information on the transaction price of similar property in the area and the sale and purchase agreements of the relevant collaterals. After the 2013 Valuation Capability Enhancement, certain due diligence and collateral valuation procedures have been modified for the sake of prudence. Please refer to the paragraph headed “2013 Valuation Capability Enhancement” in this section for further details.

In evaluating collaterals such as machineries and equipment, vehicles, inventories, accounts receivables and unlisted shares, we will make reference to, among others, figures as stated in the financial statements (which may be audited or unaudited) provided by customers and/or counter-guarantors to us during the due diligence process. Under our guarantee approval process, each applicant are required to provide, among others, its financial statements (which may be audited or unaudited) at the stage of due diligence, without which its application for guarantee approval would not be considered by us. To verify the accuracy of the information and materials provided to us by our customers, including but not limited to, information set out in our customers’ financial statements thereby ensuring the reliability of information we rely on in our internal valuation of collaterals, we perform due diligence processes pursuant to our internal guidelines which includes but not limited to the following:

1. conduct on-site due diligence investigation on the major assets of customers (which may be our collaterals), including but not limited to the location, quantity, condition and completeness of such assets;

BUSINESS

2. conduct on-site checking and examination of inventories (including raw materials, semi-finished products and finished products) for the purpose of verifying information set out in the financial statements of our customers; and
3. verify the accuracy of the particulars of accounts receivables and prepayments provided by our customers by on-site sample checking against the underlying sale and purchase agreements and accounting documents.

Based on information provided by our customers which is verified by us during the due diligence and approval process and which is objectively reviewed and analysed by us with reference to our past experience and market information, we believe that we are able to make a fair valuation of the realisable values of the relevant collaterals/counter-guarantees.

The table below summarises the key sources of information based on which we conduct our internal valuation of different types of collaterals and/or counter-guarantees according to our internal guidelines prior to the 2013 Valuation Capability Enhancement (for relevant information after the 2013 Valuation Capability Enhancement, please refer to the paragraph headed “2013 Valuation Capability Enhancement” in this section):

Type of collaterals/ counter-guarantees	Sources of information/basis of valuation
Land use rights	<ul style="list-style-type: none"> — land use right sale and purchase agreement — valuation report — market price of land of similar nature in the area from publicly available sources
Properties	<ul style="list-style-type: none"> — property sale and purchase agreement — valuation report — market price of property of similar nature in the area from publicly available sources — construction costs indicator (建築工程造價指標) from publicly available sources — list of fixed assets of the companies — net book value as stated in financial statements of the companies
Machineries and equipment	<ul style="list-style-type: none"> — sale and purchase agreement of machineries and equipment — list of fixed assets of the companies — book salvage value (賬面殘值) as stated in financial statements of the companies
Vehicles	<ul style="list-style-type: none"> — vehicles sale and purchase agreement — list of fixed assets of the companies — book salvage value as stated in financial statements of the companies
Inventories	<ul style="list-style-type: none"> — list of inventory of the companies — net book value as stated in financial statements of the companies

BUSINESS

**Type of collaterals/
counter-guarantees**

Sources of information/basis of valuation

Accounts receivables	<ul style="list-style-type: none"> — list of accounts receivables — amount as shown in the financial statements of the companies
Tenancy rights/sub-letting rights	<ul style="list-style-type: none"> — annual market rent of similar properties and the remaining period available for renting/sub-letting — actual annual rent of the part of properties rented/sub-let and the remaining period available for renting/sub-letting
Unlisted and listed shares	<ul style="list-style-type: none"> — proof of shareholding from public filing or searches — net book value as shown in financial statements of the companies — in case of listed shares, trading price of such shares on the relevant stock exchange

The following table sets out the valuation approach we adopt in assessing the value of various types of collaterals and/or counter-guarantees and our internal requirements for various types of collaterals and/or counter-guarantees according to our internal guidelines prior to the 2013 Valuation Capability Enhancement (for valuation approach after the 2013 Valuation Capability Enhancement, please refer to the paragraph headed “2013 Valuation Capability Enhancement” in this section):

**Type of collaterals/
counter-guarantees**

**Valuation approach and requirements for collaterals
and/or counter-guarantees**

Properties with property certificates	<ul style="list-style-type: none"> — nature of properties (commercial, residential, industrial, shops, office, etc.) should be taken into account; Different valuation methods are applicable to different types of properties, e.g. market price comparison approach which is suitable for commercial properties, office premises and shops, where we estimate the market value through consulting the banks, property agencies, information available on the Internet and in the media, etc.; whereas replacement cost method is generally applicable to industrial properties, self-constructed residential properties and dormitories — valuation is with reference to recent transaction price of properties of similar nature in the neighbourhood, condition of the district, geographical location, transportation, neighbourhood, remaining term of use of the land, applicable government policies and environmental protection requirements — the level of transaction activity is also taken into account as an indicator of liquidity of the asset — for second mortgage, the mortgaged value has to be subtracted from the assessed value
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BUSINESS

Type of collaterals/ counter-guarantees

Valuation approach and requirements for collaterals and/or counter-guarantees

Properties without property
certificates

For properties without properties certificate, in addition to the factors above, consideration should be given to:

- the reason for the unavailability of properties certificate; properties the right to which are subjects of dispute shall not be accepted as collaterals
- the risks of losing exclusivity or priority in the collateral/charge
- for properties built on collectively-owned land, whether the cost of construction has been settled in full and the legality of the properties

Land use right with land use
right certificates

For land with land use right certificates, consideration should be given to:

- the reference land price published by the local government
- the land price for transactions recently completed in relation to land with similar land use in the surrounding areas
- the restrictions on land use
- the location of the land
- the remaining years of validity for the land use rights
- the effect of local urban or industrial planning on the liquidity of the land
- the value of the land which is charged where the land is already subject to mortgage

Land use right without land use
right certificates

For land without land use right certificate, in addition to the factors above, consideration should be given to:

- the reasons for not possessing the land use right certificate
- the risks of losing exclusivity or priority due to the absence of the land use right certificate
- whether the land is state-owned land
- whether the original acquisition agreement of the land is valid and the relevant consideration has been fully settled, where the land is collectively-owned

BUSINESS

Type of collaterals/ counter-guarantees	Valuation approach and requirements for collaterals and/or counter-guarantees
Machineries and equipment	<ul style="list-style-type: none">— valuation is based on the lower of the net book value as stated in financial statements of the relevant company and the acquisition cost as shown in acquisition agreement, sales invoice or receipt, term of use of the machinery, versatility or generality of the machinery— machinery which are not fully paid, or imported machinery that are still under customs supervision shall not be accepted as collaterals— the risks of losing exclusivity or priority in the collateral/charge in cases where the charge of machinery cannot be registered shall be considered
Vehicles	<ul style="list-style-type: none">— valuation is based on the lower of the net book value as stated in financial statements of the relevant company and the acquisition cost as shown in acquisition agreement, sales invoice or receipt, term of use of the vehicle— vehicles which are registered outside Foshan or not fully paid shall not be accepted as collaterals— the risks of losing exclusivity or priority in the collateral/charge in cases where the charge of vehicles cannot be registered shall be considered
Inventories	<ul style="list-style-type: none">— inventories may include raw materials, semi-finished products and finished products— valuation is made with reference to financial statements of the relevant company, list of inventory, actual condition of inventories, unit price of inventories as indicated in relevant purchase agreement and market price during the relevant period— we require regular post-guarantee inspection of inventory level; where the inventory level and value is below that stipulated in the counter-guarantee agreement, we may require further counter-guarantee condition

BUSINESS

Type of collaterals/ counter-guarantees	Valuation approach and requirements for collaterals and/or counter-guarantees
Accounts receivables	<ul style="list-style-type: none">— valuation is based on financial statements of the relevant company or list of accounts receivables provided by the relevant company— the amount of accounts receivables shall be verified with reference to the relevant supply agreements and sales agreements and payment schedule— in practice, the appraised value of receivables is generally capped at our total guarantee amount in respect of the relevant customers for the sake of prudence— in accepting accounts receivables as collaterals, priority will be given to amounts due from parties with higher reputation, higher credibility and less history of default — accounts receivables with the ageing of which have exceeded normal credit term within the relevant industry, or accounts receivables for which provision for bad debts has been made shall not be included as our collaterals
Tenancy rights/ sub-letting rights	<ul style="list-style-type: none">— in the case of sub-letting of rented land or property, the remaining term of lease of such land or property must not be shorter than three years and must cover the whole credit period or guarantee period— valuation is based on the expected amount of rental income received upon leasing/sub-letting, having regard to the market rent of land and/or property of similar nature in the area, the surface area of land, the gross floor area of property
Unlisted and listed shares	<ul style="list-style-type: none">— valuation is based on the net asset value of the company as reflected in the latest audited financial statements of such company— in accepting unlisted shares as collaterals, priority will be given to companies with higher industry mobility, clearer shareholding structure and shareholding interest without dispute— in the case of listed shares, valuation is based on the trading price of such shares on the relevant stock exchange

In assessing the value of our collaterals and/or counter-guarantees, we make and consider the following assumptions, for example, the political situation in China is stable, the domestic economy is stable and grows steadily, the sound and healthy operation of the financial system, the overall level of domestic prices remain stable, the balance of the supply and demand of the factors of production, the raw materials, labour and external production environment are under normal operating environment for production, and the similarity in terms of nature, purpose, geographical location and

BUSINESS

area, etc. between the subject of valuation and the reference of valuation. For collaterals which can be registered (such as land and properties) and which can be transacted in public market, we assume an open market for such collaterals with wide range of use and high versatility. For collaterals which are unable to be registered (such as in cases where the customer cannot provide the necessary documentation for the pledge of inventories or equipment to us) but can be transacted in market, we assume such transactions can take place. In valuating tenancy or sub-letting rights, we assume the underlying land or properties can be rented or sub-let continuously throughout the expected term of tenancy or sub-tenancy. For customers' pledged deposits, taking into account that (i) they are provided to us as security or counter-guarantee for the customers' payment obligations (which is the defining nature of collateral); and (ii) our interests in such deposits are not registered, they are classified as unregistered collateral.

The Joint Sponsors consider that the valuation methods and the assumptions adopted by our Group for collaterals are reasonable and appropriate.

Among the 25 staff members as of 31 May 2013 of our business operation department, all of them carry out internal valuation of collaterals, 18 of them completed tertiary education specialising in the financial fields, 15 of them possess working experience in the guarantee industry and thus relevant valuation experience of two years or above, whereas nine of them possess working experience in the financial industry of five years or above. Save as disclosed above, as at 31 May 2013, employees of our business operation department did not possess other professional qualifications or experience in valuation. In view of our Group's continuous business development need, we engaged two PRC certified public valuers as our full time and part-time employees of our risk control department in June 2013 and July 2013 respectively. For details of their valuation qualifications and experience, please refer to the paragraph headed "2013 Valuation Capability Enhancement" in this section. Our business operation department is led by Mr. Yuan Chen, our vice general manager of Success Guarantee, whose qualification and experience are disclosed in the section headed "Directors, senior management and staff" in this prospectus. During the Track Record Period, each project manager handling the guarantee application will be responsible for investigating the conditions of the collaterals, assessing the collateral value and propose a valuation value in the due diligence report for further review and approval by our risk control department and risk management committee. During the Track Record Period, the collaterals were tracked and evaluated by each project handling team from the business operation department based on the internal guidelines of our Group, which is from time to time updated by our Group based on market and regulatory changes. We formulate and implement plans for staff training each year according to our Group's business development needs, and we also arrange irregular staff training from time to time in order to provide our employees with the latest updates on industry and market information. Based on our staff's relevant education background, past relevant experience, on-the-job training provided by our Group and our standardised internal guidelines on due diligence and valuation, we believe that we possess sufficient manpower and relevant expertise to conduct due diligence on our customers and perform proper valuation on the collaterals/counter-guarantees. To accommodate our future business development and expansion, we plan to recruit personnel with relevant valuation qualifications and experience, and to encourage our

BUSINESS

staff to obtain professional valuation qualifications in future according to our expansion plan. In around June/July 2013, we implemented the 2013 Valuation Capability Enhancement to enhance our capability in valuation of collaterals and counter-guarantees. For further details of the 2013 Valuation Capability Enhancement please refer to the paragraph headed “2013 Valuation Capability Enhancement” in this section.

To ensure that our staff has sufficient knowledge and skills in respect of valuation and identification of collaterals, we provide in-house training to our staff to maintain good standards for the proper valuation and authentication of assets and properties.

As at the Latest Practicable Date, all current assets as collaterals in favour of our Group were retained in the custody at either our customers’ or Independent Third Party’s premises. To monitor any subsequent change in the condition and valuation of the collaterals, our Group makes both regular and spontaneous visits to such assets for risk control and on-going monitoring regularly to monitor the status of the collaterals, to discover any change in the collaterals to check whether they have been leased, transferred, given or disposed of, whether they have been lost, damaged, removed, moved, and whether there is any change in assessed value of the collaterals and, in some cases, we also make visits to monitor the other inventories of our customers that are not subject to the assets pledged to our Group. Through various visits, our Group will have a better understanding of our customers’ business conditions. In certain cases, our Group will hire agents at the expense of our customers to monitor and safeguard the assets pledged to our Group. In general, if the market value of the assets pledged to us has decreased substantially, our Group is entitled to require its customers or its owners to provide additional assets as collaterals.

Our Group follows internal guidelines in its valuation of collaterals and/or counter-guarantees. Collaterals and counter-guarantees provided for obligations guaranteed by us comprise (i) collaterals registered exclusively in favour of our Group; (ii) collaterals not registered exclusively in favour of our Group; (iii) collaterals registered exclusively in favour of third parties; and (iv) unregistered collaterals and customers’ pledged deposits. Prior to January 2013, our Group did not maintain comprehensive documentation of our valuation process and procedures. For improved internal control and record-keeping purposes, since January 2013, it has become a standard internal requirement of our Group to maintain proper written record and documentation in the guarantee approval process for its work done on valuation of assets subject to collateral agreements and/or counter-guarantee agreements. Using the methods of valuation as set out in our internal guidelines prior to the 2013 Valuation Capability Enhancement, our Group has re-assessed with documentation the asset value as at 31 December 2012 of the collaterals and/or counter-guarantees provided in respect of loans

BUSINESS

guaranteed by us outstanding as at 31 December 2012. The following table sets out the breakdown of such re-assessed values of the assets subject to pledge under the collateral agreements and/or counter-guarantee agreements in relation to obligations guaranteed by us as at 31 December 2012:

	As at 31 December 2012					
	Amount of assets (value of which is internally verifiable) <i>RMB million</i>	Percentage to the total amount of assets (value of which is internally verifiable) %	Amount of collaterals registered exclusively in favour of our Group <i>RMB million</i>	Amount of collaterals not registered exclusively in favour of our Group <i>RMB million</i>	Amount of collaterals registered exclusively in favour of third parties <i>RMB million</i>	Amount of unregistered collaterals and customers' pledged deposits <i>RMB million</i>
Properties	1,213.3	17.0	84.8	6.6	130.9	991.0
Land use rights	622.9	8.8	53.6	—	238.8	330.5
Machineries and equipment	1,339.1	18.8	580.2	—	60.0	698.9
Vehicles	13.8	0.2	13.8	—	—	—
Inventories	1,082.3	15.2	189.7	—	—	892.6
Receivables	544.0	7.6	390.3	—	—	153.7
Tenancy rights/sub-letting rights	2,254.0	31.7	612.4	—	—	1,641.6
Shares	35.0	0.5	—	—	35.0	—
Customers' pledged deposits	12.6	0.2	—	—	—	12.6
Total:	<u>7,117.0</u>	<u>100.0</u>	<u>1,924.8</u>	<u>6.6</u>	<u>464.7</u>	<u>4,720.9</u>
Financial guarantee	7,104.5	99.8	1,924.8	6.6	464.7	4,708.4
Litigation guarantee	—	—	—	—	—	—
Performance guarantee	12.5	0.2	—	—	—	12.5
Total:	<u>7,117.0</u>	<u>100.0</u>	<u>1,924.8</u>	<u>6.6</u>	<u>464.7</u>	<u>4,720.9</u>

2013 Valuation Capability Enhancement

During the Track Record Period, employees of our business operation department did not possess professional qualifications in valuation. In view of our Group's continuous business development need and in order to adopt a more prudent approach in our collateral valuation so as to minimise the risk exposure of our Group, we have engaged two PRC certified public valuers as our full time and part-time employees respectively of our risk control department since June and July 2013 respectively. Our full time professional valuer obtained his qualifications as a certified public valuer from the Ministry of Finance, the PRC in 1998, and has over 15 years of valuation experience in the PRC. He is also a member of the Chinese Institute of Certified Public Accountants of the PRC since 1994. Prior to joining our Group, he had worked in a valuation company and accounting firm responsible for valuation. Our part-time professional valuer obtained her qualifications as a certified public valuer from the Ministry of Finance, the PRC in 2008.

In July 2013, we conducted internal review of our internal valuation guidelines with our in-house professional valuers, who were of the view that the valuation methodology adopted by our Group was basically fair and reasonable, but a more prudent approach was advised to be adopted in the future for

BUSINESS

minimising risk exposure of our Group. Having consulted our in-house professional valuers and having reviewed our internal valuation guidelines and procedures in a critical perspective, we modified certain aspects of our internal valuation process and methodology as follows for the sake of prudence.

Under our revised internal valuation guidelines adopted in July 2013, our in-house professional valuers will join the business operation department to participate in the site visits for inspection of the collaterals at the due diligence stage to obtain first hand information as to the condition and status of the collaterals. The preliminary assessment of collateral value by our business operation department will be further reviewed by our professional valuers, who will either endorse, disapprove or supplement the valuation opinion given by our business operation department. An application for guarantee will only be recommended to our risk control department for further review after it has been reviewed by our professional valuers.

Under the modified internal valuation guidelines, valuation of collaterals which are machineries, equipment and vehicles shall adopt the replacement cost method, under which an “appraised value” shall be obtained with reference to the latest purchase price of such assets at the time of valuation and by making adjustments to the value having regard to various factors such as the number of years for which an asset has been used, the condition and status of an asset, the frequency of use or operation, the level of maintenance, etc.. In the event that the latest purchase price of such assets at the time of valuation is not available, the “appraised value” will be determined based on the original purchase price of such assets as shown in, for instance, the invoices and the sale and purchase agreements. The asset value as shown in valuation reports or insurance policies which are within the validity period can also be a source of reference of the appraised value. After obtaining the “appraised value” under the replacement cost method, in order to arrive at a more prudent value which can reflect the realisable value of the collaterals in the event that collaterals are required to be realised within a very short period of time in cases of default, all the “appraised value” of machineries, equipment and vehicles will be adjusted by a prudent discount ranging from 30% to 50% to arrive at the “realisable value”, the range of such discount is determined by our in-house professional valuers based on the general rate of discount to the market prices of assets for which auctions are ordered by the courts of the PRC, and the actual rate of discount is to be determined by our in-house professional valuers based on various factors, such as the versatility of the asset (i.e. whether it is suitable for general purposes or specific purposes), and the level of liquidity (i.e. whether the asset is actively traded in the market) of the asset. For illustrative purpose, the “appraised value” and the “realisable value” of machineries and equipment were approximately RMB1,191.4 million and RMB735.6 million respectively as at 31 December 2012, and approximately RMB1,169.6 million and RMB719.5 million respectively as at 31 May 2013; whereas the “appraised value” and the “realisable value” of vehicles were approximately RMB13.8 million and RMB7.1 million respectively as at 31 December 2012, and approximately RMB13.3 million and RMB9.3 million respectively as at 31 May 2013.

As for the valuation of collaterals which are inventories, in view that the value, amount and quantity of inventories are floating in nature and the realisable value can only be determined when such counter-guarantees are crystallised and when such collaterals are actually realised, we, as advised by our in-house professional valuers, have adopted a standardised substantial discount of 90% to the preliminary assessed value of inventories to arrive at the “realisable value” based on the principle of prudence. The preliminary assessed value of inventories is determined based on the net book value as

BUSINESS

shown in financial statements of relevant companies, list of inventories as verified by us, and value as shown in valuation reports and insurance policies which are within the validity period. For illustrative purpose, the “appraised value” and the “realisable value” of inventories were approximately RMB1,082.3 million and RMB108.2 million respectively as at 31 December 2012, and approximately RMB978.7 million and RMB97.9 million respectively as at 31 May 2013.

As regard our counter-guarantees which are accounts receivables, it has been the general practice of our Group to adopt the lower value among the total balance of accounts receivables as recorded in the financial statements of our customers and the total guarantee amount in respect of the relevant customers as the value of accounts receivables pledged to us, so that in effect, a prudent discount of the pledged value to the value of total accounts receivables of the relevant customers shown in the financial statements of such customers has already been adopted by us. For illustrative purpose, as at 31 May 2013, the aggregate value of accounts receivables pledged to us was approximately RMB660.0 million, while the relevant aggregate amount of accounts receivables stated in such customers’ latest financial statements provided for our guarantee approval process amounted to approximately RMB5,771.7 million, representing an overall discount of approximately 88.6%. According to one of our PRC certified public valuers, based on his knowledge and practical experience, it has been the general industry practice among financial institutions in the PRC to make on a case by case basis a reasonable discount of up to 30% to the total balance of accounts receivables stated in an enterprise’s financial statements as pledged value, depending on the quality and recoverability of such accounts receivables. On such basis, our Directors consider that our Group’s existing valuation policy and approach in respect of accounts receivables as collaterals is sufficiently prudent. As advised by our PRC Legal Advisers and based on the confirmation of our Group, where a guarantee customer is in default, we are entitled under the collateral agreement to ask for repayment from all debtors of the relevant guarantee customer appearing in that guarantee customer’s books and records without limiting to any specific debtor(s) and amounts, until the amount received by us from such debtors can fully cover our loss incurred in that guarantee transaction in default. In addition, in circumstances where the repayment capacity of the relevant customers or counter-guarantors is seriously impaired, we are entitled to request for further collaterals or counter-guarantees to safely secure the relevant guarantee amount. Further, our Directors consider that given the total balance of accounts receivables provided by our Group’s customers as collateral are measured on a dollar-for-dollar basis (other than its floating amount in nature), the actual salvage value or net realisation value is expected not to be obsolete generally over time. In view of the above, we (including our in-house professional valuers) are of the view that further discount on such values for the sake of prudence for reflecting the realisable value is not necessary.

Save for the modification set out above, the valuation approach and methodology adopted by us and the key sources of information based on which we conduct our internal valuation of our collaterals/counter-guarantees which are machineries, equipment, vehicles and inventories after the 2013 Valuation Capability Enhancement are substantially the same as those prior to the 2013 Valuation Capability Enhancement. There is no change in the valuation approach and key sources of information based on which we conduct valuation before and after the 2013 Valuation Capability Enhancement in respect of our valuation of collaterals/counter guarantees which are properties, land use rights, receivables, tenancy rights/sub-letting rights and shares.

BUSINESS

With a view to achieve a more prudent assessment of the value of collaterals and counter-guarantees provided to us, based on our modified valuation methodology adopted under the 2013 Valuation Capability Enhancement, we re-assessed the asset value as at 31 December 2012 and also assessed the asset value as at 31 May 2013 of the collaterals and/or counter-guarantees provided to us in respect of loans guaranteed by us outstanding as at 31 December 2012 and 31 May 2013 respectively. The following table sets out the breakdown of the re-assessed value of assets subject to pledge under the collaterals agreements and/or counter-guarantee agreements in relation to obligations guaranteed by us as at 31 December 2012:

	As at 31 December 2012					
	Amount of assets (value of which is internally verifiable) <i>RMB million</i>	Percentage to the total amount of assets (value of which is internally verifiable) %	Amount of collaterals registered exclusively in favour of our Group <i>RMB million</i>	Amount of collaterals not registered exclusively in favour of our Group <i>RMB million</i>	Amount of collaterals registered exclusively in favour of third parties <i>RMB million</i>	Amount of unregistered collaterals and customers' pledged deposits <i>RMB million</i>
Properties	1,213.3	21.9	84.8	6.6	130.9	991.0
Land use rights	622.9	11.3	53.6	—	238.8	330.5
Machineries and equipment	735.6	13.3	360.3	—	41.6	333.7
Vehicles	7.1	0.1	7.1	—	—	—
Inventories	108.2	2.0	19.0	—	—	89.2
Receivables	544.0	9.8	390.3	—	—	153.7
Tenancy rights/sub-letting rights	2,254.0	40.8	612.4	—	—	1,641.6
Shares	35.0	0.6	—	—	35.0	—
Customers' pledged deposits	<u>12.6</u>	<u>0.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12.6</u>
Total:	<u><u>5,532.7</u></u>	<u><u>100.0</u></u>	<u><u>1,527.5</u></u>	<u><u>6.6</u></u>	<u><u>446.3</u></u>	<u><u>3,552.3</u></u>
Financial guarantees	5,520.2	99.8	1,527.5	6.6	446.3	3,539.8
Litigation guarantees	—	—	—	—	—	—
Performance guarantees	<u>12.5</u>	<u>0.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12.5</u>
Total:	<u><u>5,532.7</u></u>	<u><u>100.0</u></u>	<u><u>1,527.5</u></u>	<u><u>6.6</u></u>	<u><u>446.3</u></u>	<u><u>3,552.3</u></u>

BUSINESS

The following table sets out the breakdown of the value of assets subject to pledge under the collaterals agreements and/or counter-guarantee agreements in relation to obligations guaranteed by us as at 31 May 2013:

	As at 31 May 2013					
	Amount of assets (value of which is internally verifiable) <i>RMB million</i>	Percentage to the total amount of assets (value of which is internally verifiable) %	Amount of collaterals registered exclusively in favour of our Group <i>RMB million</i>	Amount of collaterals not registered exclusively in favour of our Group <i>RMB million</i>	Amount of collaterals registered exclusively in favour of third parties <i>RMB million</i>	Amount of unregistered collaterals and customers' pledged deposit <i>RMB million</i>
Properties	1,212.6	22.3	101.1	6.8	134.3	970.4
Land use rights	753.9	13.9	58.4	—	206.3	489.2
Machineries and equipment	719.5	13.2	361.6	—	29.5	328.4
Vehicles	9.3	0.2	9.3	—	—	—
Inventories	97.9	1.8	15.9	—	—	82.0
Receivables	660.0	12.1	395.2	—	100.0	164.8
Tenancy rights/sub-letting rights	1,960.9	36.1	537.7	—	—	1,423.2
Shares	17.6	0.3	—	—	15.0	2.6
Customers' pledged deposits	3.7	0.1	—	—	—	3.7
Total:	<u>5,435.4</u>	<u>100.0</u>	<u>1,479.2</u>	<u>6.8</u>	<u>485.1</u>	<u>3,464.3</u>
Financial guarantees	5,423.3	99.8	1,479.2	6.8	485.1	3,452.2
Litigation guarantees	—	—	—	—	—	—
Performance guarantees	12.1	0.2	—	—	—	12.1
Total:	<u>5,435.4</u>	<u>100.0</u>	<u>1,479.2</u>	<u>6.8</u>	<u>485.1</u>	<u>3,464.3</u>

Our risk exposure under the outstanding guarantees provided by us

As at 31 December 2012 and as at 31 May 2013, the total outstanding guarantee provided by us amounted to approximately RMB1,483.5 million and RMB1,539.1 million, representing approximately 4.28 times and 4.20 times of the net assets of Success Guarantee, respectively. To mitigate our risk exposure under our outstanding guarantees, we (i) take extensive measures to assess the loan repayment capacity of potential customers in the guarantee approval process; and (ii) obtain collaterals and/or counter-guarantees in respect of our guaranteed obligations. The table below sets

BUSINESS

out a summary of the aggregate outstanding guarantee amount secured by collaterals (fully or partially) and the aggregate outstanding guarantee amount not secured by any collateral as at 31 December 2012 and 31 May 2013:

	As at 31 December 2012			As at 31 May 2013		
	Aggregate outstanding guarantee amount			Aggregate outstanding guarantee amount		
	Secured by collaterals	Not secured by collaterals	Total	Secured by collaterals	Not secured by collaterals	Total
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Financial guarantees	1,317.7	50.0	1,367.7	1,359.6	50.0	1,409.6
Litigation guarantees	—	57.3	57.3	—	71.0	71.0
Performance guarantees	<u>18.5</u>	<u>40.0</u>	<u>58.5</u>	<u>18.5</u>	<u>40.0</u>	<u>58.5</u>
	<u><u>1,336.2</u></u>	<u><u>147.3</u></u>	<u><u>1,483.5</u></u>	<u><u>1,378.1</u></u>	<u><u>161.0</u></u>	<u><u>1,539.1</u></u>

Guarantees not secured by any collateral

As at 31 December 2012, 16 of the outstanding guarantees issued by us were not secured by any collateral, comprising one financial guarantee (with outstanding guarantee amount of RMB50 million), one performance guarantee (with outstanding guarantee amount of RMB40 million, and 14 litigation guarantees (with an aggregate outstanding amount of approximately RMB57 million). While all of the 14 litigation guarantees have no fixed repayment deadline, the outstanding amount of the loan in relation to the financial guarantee will fall due in 2014 and the guaranteed obligations under the performance guarantee will fall due in 2015. As at the Latest Practicable Date, our customers were not in default of the obligations guaranteed by us in such cases with no collaterals provided.

As at 31 May 2013, 28 of the outstanding guarantees issued by us were not secured by any collateral, comprising one financial guarantee (with outstanding guarantee amount of RMB50 million), one performance guarantee (with outstanding guarantee amount of RMB40 million) and 26 litigation guarantees (with an aggregate outstanding amount of approximately RMB71 million). While all of the 26 litigation guarantees have no fixed repayment deadline, the outstanding amount of the loan in relation to the financial guarantee will fall due in 2014 and the guaranteed obligations under the performance guarantee will fall due in 2015. As at the Latest Practicable Date, our customers were not in default of the obligations guaranteed by us in such cases with no collaterals provided.

For the 14 and 26 outstanding litigation guarantees as at 31 December 2012 and 31 May 2013 respectively, our customers were applicants for property preservation with the court. Our Directors consider that risks associated with such guarantees were low, taking into account (i) the relatively low average guarantee amount of approximately RMB4 million as at 31 December 2012 and RMB2.7 million as at 31 May 2013; (ii) our Group's assessment of the merits and circumstances of the litigation; and (iii) that, in certain cases, personal and/or corporate guarantees were provided by our customers, its owners, directors and/or other third parties in respect of such litigation guarantees issued by us.

BUSINESS

For the outstanding financial guarantee with no collateral provided as at 31 May 2013, our customer was a high-technology pump manufacturer. For the outstanding performance guarantee with no collateral provided as at 31 May 2013, our customers were eight companies which entered into a government property development contract through competitive bidding. The summary of the maturity profile and the key background information considered by our Group in each of these two cases is set out as follows:

Customer (type of guarantee)	Outstanding guarantee amount as at 31 May 2013 <i>(RMB million)</i>	Maximum obligation due in 2013 <i>(RMB million)</i>	Maximum obligation due in 2014 <i>(RMB million)</i>	Maximum obligation due in 2015 <i>(RMB million)</i>	Current repayment status	Key background information considered by our Group
A high-technology pump manufacturer in the PRC (financial guarantee)	50	—	50	—	Not in default	As one the selected SMEs eligible to participate in the issuance of the Foshan SME Bills, it had been recognised as one of the Key High-Technology Enterprises of the National Torch Programme in 2007 and 2011 respectively. Thirteen of its shareholders, who held in aggregate 74.1% equity interest in the company and are also the senior management of the company, provided unlimited liability personal guarantee in respect of the loan.
Eight companies which entered into a government property development contract through competitive bidding (performance guarantee)	40	—	—	40	Not in default	To the best of our knowledge and belief, the consideration of the land had been fully paid off and the performance guarantee provided by us was to ensure the eight selected companies would complete the construction by strictly adhering to the development schedule of a highly supported government property development project and thus we considered that only minimal risk was involved.
Total:	90	—	50	40		

Loan-to-value ratio

In considering a guarantee application, we have been primarily focusing on considering the loan repayment capability and creditworthiness of our potential customers in the first resort for every guarantee transaction, rather than the value of collaterals provided by them as supplementary assurance. The core of our business is to provide financial guarantee services based on our assessment of customers' loan repayment capability according to our analysis of their operational information gathered in the due diligence process for every potential case. As such, during the Track Record Period, we did not adopt any prescribed loan-to-value ratios as a prerequisite or assessment criterion for guarantee applications. The range of loan-to-value ratios (as calculated by dividing the outstanding guarantee amount under the guarantee contract by the total asset value of the collaterals and/or counter-guarantees provided in respect of loans guaranteed by us based on our Group's internal

BUSINESS

re-assessed valuation) in relation to each of the outstanding guarantees issued by our Group as at 31 December 2012 and as at 31 May 2013 (excluding the outstanding guarantee amount not secured by any collateral, which amounted to approximately RMB147.3 million and RMB161.0 million respectively) is summarised below:

Loan-to-value ratio <i>(Note)</i>	As at 31 December 2012		As at 31 May 2013	
	Aggregate outstanding guarantee amount (RMB' million)	% (RMB' million)	Aggregate outstanding guarantee amount (RMB' million)	%
Larger than 100.0%	179.8	13.5	148.5	10.8
100.0% - 50.1%	332.7	24.9	449.5	32.6
50.0% - 10.0%	694.4	52.0	656.3	47.6
Less than 10.0%	129.3	9.6	123.8	9.0
	<u>1,336.2</u>	<u>100.0</u>	<u>1,378.1</u>	<u>100.0</u>

Note: The loan-to-value ratio in relation to all collaterals (including both registered and unregistered collaterals) provided for each outstanding guarantee we provided as at 31 December 2012 and 31 May 2013 is calculated by dividing the outstanding guarantee amount for the particular guarantee we provided by the aggregate value of all collaterals provided in respect of the relevant loan we guaranteed. The aggregate outstanding guarantee amount for the given range of loan-to-value ratios set out above represents the sum of the outstanding guarantee amount for every guarantee provided by us with a loan-to-value ratio of all collaterals falling within the given range.

The loan-to-value ratio in relation to the outstanding guarantees we issued represents the extent to which the outstanding guarantee amount is secured by the value of collaterals provided in respect of relevant loan we guaranteed. Accordingly, where the loan-to-value ratio is less than 100%, the value of collaterals provided in respect of the loan we guaranteed exceeds the relevant outstanding guarantee amount (i.e. the outstanding guarantee amount is fully secured by the value of the relevant collaterals). Where the loan-to-value ratio exceeds 100%, the outstanding guarantee amount is not fully secured by the value of collaterals provided in respect of the obligations we guaranteed. As collaterals, whether registered or not registered exclusively to our Group or unregistered, are provided as a counter-guarantee for the entire loan amount we guaranteed, the proportion of guarantee amount secured by registered collaterals or secured by unregistered collaterals cannot be clearly allocated and identified due to the nature of collaterals provided in guarantee transactions.

Among our total outstanding guarantee amount as at 31 December 2012, approximately RMB147.3 million were not secured by any collateral, representing about 9.9% of the total outstanding guarantee amount. For the total outstanding guarantee amount which was fully or partially secured by collaterals (i.e. approximately RMB1,336.2 million), the aggregate outstanding amount of guarantees with a loan-to-value ratio larger than 100% (i.e. not fully secured by collaterals) and those with a loan-to-value ratio not more than 100% (i.e. fully secured by collaterals) were approximately RMB179.8 million and RMB1,156.4 million, representing about 13.5% and 86.5% of the total secured outstanding guarantee amount respectively.

BUSINESS

Among our total outstanding guarantee amount as at 31 May 2013, approximately RMB161.0 million were not secured by any collateral, representing about 10.5% of the total outstanding guarantee amount. For the total outstanding guarantee amount which was fully or partially secured by collaterals (i.e. approximately RMB1,378.1 million), the aggregate outstanding amount of guarantees with a loan-to-value ratio larger than 100% (i.e. not fully secured by collaterals) and those with a loan-to-value ratio not more than 100% (i.e. fully secured by collaterals) were approximately RMB148.5 million and RMB1,229.6 million, representing about 10.8% and 89.2% of the total secured outstanding guarantee amount respectively.

As at 31 December 2012 and 31 May 2013, the average loan-to-value ratio (calculated by dividing the sum of the loan-to-value ratios for every outstanding guarantees in relation to all collaterals provided by the number of total outstanding guarantees as at 31 December 2012 and 31 May 2013) for the outstanding guarantees we issued (excluding the outstanding guarantees not secured by any collaterals) was approximately 47.6% and 39.4%, respectively.

In the guarantee approval process, we would seek to identify and require our customers and/or their counter-guarantors to charge the maximum amount of collaterals to us. Accordingly, we do not maintain a maximum limit on the loan-to-value ratio for the guarantees we provide. Among more than 240 outstanding financial guarantees and performance guarantees of our Group as at 31 May 2013, only six cases (which did not include guarantees not secured by any collateral) have a loan-to-value ratio larger than 100% respectively (calculated based on the aggregate value of all registered and unregistered collaterals provided). The loan-to-value ratios in respect of such guarantees ranged from approximately 126% to 314%. As at the Latest Practicable Date, our customers in such six cases as at 31 May 2013 were not in default of the obligations guaranteed by us.

Set out below is a summary of the maturity profile and the key background information considered by our Group in each of the six cases where the relevant loan-to-value ratios exceed 100% as at 31 May 2013:

Customer (type of guarantee)	Loan-to-value ratio	Outstanding guarantee amount as at 31 May 2013 <i>(RMB million)</i>	Maximum obligation due in 2013 <i>(RMB million)</i>	Maximum obligation due in 2014 <i>(RMB million)</i>	Current repayment status	Key background information considered by our Group
1. A textile trading company principally engaged in the export of textile products (financial guarantee)	126%	13.5	13.5	—	Not in default	The purpose for obtaining the loan was to provide operating cashflow for increasing sales in the PRC. Based on the accounts provided to us, the company had a stable level of account receivables of around RMB12 million per month and an average collection period of around 30 days. For the year ended 31 December 2011, its revenue amounted to around RMB130 million and its net profit amounted to around RMB12 million.

BUSINESS

Customer (type of guarantee)	Loan-to-value ratio	Outstanding guarantee amount as at 31 May 2013 (RMB million)	Maximum obligation due in 2013 (RMB million)	Maximum obligation due in 2014 (RMB million)	Current repayment status	Key background information considered by our Group
2. A high-technology ceramics manufacturer in the PRC (financial guarantee)	139%	60.0	—	60.0	Not in default	It was one the selected SMEs eligible to participate in the issuance of the Foshan SME Bills. It had a registered paid-in capital of RMB140 million. Based on our research on publicly available information, as at June 2011, it ranked the fifth ceramics manufacturer in Guangdong Province in terms of production volume and market share.
3. A distributor of a global brand of personal care products in Yunnan Province, the PRC (performance guarantee)	153%	18.5	—	18.5	Not in default	Based on the company's accounts, its revenue amounted to around RMB408 million for the year ended 31 December 2012 and its total assets amounted to around RMB135 million by the end of 2012. There had been no default payment since our provision of performance guarantee services to it in 2008. Its senior management had over ten years of experience in the industry.
4. A musical instrument retailer and learning center (financial guarantee)	229%	3.0	3.0	—	Not in default	As at the date of application, it had established for over 10 years and had nine learning centers and one nursery school. For the year ended 31 December 2011, its revenue amounted to around RMB25 million and its net profit amounted to around RMB1.1 million. Since most of its collateral provided consisted of inventories (i.e. musical instruments) and a substantial discount had been applied to inventories, resulting in a loan-to-value ratio of over 100%.
5. A company principally engaged in the management of government infrastructure projects (financial guarantee)	270%	13.5	13.5	—	Not in default	The purpose for obtaining loan was to satisfy the need of cashflow for the remaining construction costs of a government infrastructure project so as to complete the construction more quickly and to recover the amounts receivables thereof.
6. A high-technology plastic product manufacturer (financial guarantee)	314%	40.0	—	40.0	Not in default	It was one of the selected SMEs eligible to participate in the issuance of the Foshan SME Bills. Based on the accounts provided to us, the company had sustainable growth in profit (around RMB19 million in June 2011). The company was planning to invest around RMB150 million to start its new line of production on the land provided to us as collateral which was expected to substantially increase the value of the land.
Total:		<u>148.5</u>	<u>30.0</u>	<u>118.5</u>		

The default risks associated with the guarantees for these six cases were considered to be relatively low in our guarantee approval process based on their financial conditions, scale of operation or the nature of guarantee given.

BUSINESS

Registered and unregistered collaterals

Based on our internal valuation, the total asset value (which is internally verifiable by our internal record and documentation) of the collaterals and/or counter-guarantees provided in respect of the obligations guaranteed by us outstanding as at 31 December 2012 was approximately RMB5,532.7 million, whereas our outstanding guarantee amount as at 31 December 2012 was approximately RMB1,483.5 million. Based on our internal valuation, the total asset value (which is internally verifiable by our internal record and documentation) of the collaterals and/or counter-guarantees provided in respect of the obligations guaranteed by us outstanding as at 31 May 2013 was approximately RMB5,435.4 million, whereas our outstanding guarantee amount as at 31 May 2013 was approximately RMB1,539.1 million.

Based on our internal valuation, the total asset value of registered collaterals provided in respect of loans guaranteed by us outstanding as at 31 December 2012 and 31 May 2013 were approximately RMB1,980.4 million and RMB1,971.1 million respectively. Such registered collaterals comprise:

- (a) *Collaterals registered exclusively in favour of our Group.* The total asset value of such collaterals amounted to approximately RMB1,527.5 million and RMB1,479.2 million respectively based on our internal valuation. As advised by our PRC Legal Advisers, where the interests under the collaterals and/or counter-guarantees are registered in favour of us only, we shall be entitled to the exclusive collateral rights to such collaterals and/or counter-guarantees, which shall be enforceable against bona fide third parties.
- (b) *Collaterals registered not exclusively in favour of our Group.* The total asset value of such collaterals amounted to approximately RMB6.6 million and RMB6.8 million based on our internal valuation, representing approximately 0.3% and 0.3% of the total valuation of the registered collaterals as at 31 December 2012 and 31 May 2013, respectively. As at 31 December 2012, such collaterals, among other collaterals, were provided as counter-guarantees for three outstanding financial guarantees issued by us, the aggregate outstanding amount of which was approximately RMB9.5 million, representing approximately 0.6% of our outstanding guarantee amount. As at 31 May 2013, such collaterals, among other collaterals, were provided as counter-guarantees for three outstanding financial guarantees issued by us, the aggregate outstanding amount of which was approximately RMB9.1 million, representing approximately 0.6% of our outstanding guarantee amount. Such collaterals as at 31 December 2012 and 31 May 2013 only comprised properties mortgaged to certain banks, which were subsequently charged to us as collaterals in respect of the guarantee we provided. As such, Success Guarantee was registered as the secondary beneficiary of the collaterals, rather than the primary beneficiary, which was the bank. According to the Property Law of the PRC, where a charged collateral is registered in favour of two or more beneficiaries, proceeds from the realisation of the collateral shall be applied to the settlement of liabilities owed to the beneficiaries according to the sequence of their registration. Accordingly, as advised by our PRC Legal Advisers, the mortgagee bank enjoys priority over our interest in such properties and thus proceeds from the realisation of the collaterals will be repaid to the mortgagee bank before they can be applied to the settlement of our payment to the relevant lending bank in cases where our customers default on the loan. Save as disclosed, there were no collaterals registered in favour of both our Group and other third parties. Further, in enforcing the counter-guarantee in respect of such collaterals, the progress will be subject to the realisation process of the mortgage. In view of such

BUSINESS

difficulties, we do not generally accept such collaterals as counter-guarantees. In such cases, the value of such collaterals charged to us would be the value of the properties excluding the outstanding mortgage amount, and thus, as our customer made further mortgage payments, the value of collaterals charged to us would increase accordingly. For all other types of collaterals (comprising (i) collaterals registered exclusively in favour of our Group; (ii) collaterals registered exclusively in favour of third parties; and (iii) unregistered collaterals provided for obligations guaranteed by us) as at 31 December 2012 and 31 May 2013, prior to the entering into of the relevant collateral and/or counter-guarantee agreements, the relevant charged assets were not subject to any mortgage and were not provided as security for any liabilities other than the loans guaranteed by us. As such, for such other types of collaterals, no outstanding mortgage amount or other liabilities have to be deducted from the collateral value provided in respect of our outstanding guarantee amount.

- (c) *Collaterals registered exclusively in favour of third parties.* The total asset value of such collaterals amounted to approximately RMB446.3 million and RMB485.1 million based on our internal valuation as at 31 December 2012 and 31 May 2013, respectively. We were not a registered beneficiary of such collaterals. As at 31 December 2012 and 31 May 2013, in most of the cases where collaterals provided in respect of our outstanding guarantees were registered exclusively in favour of third parties, such collaterals were charged to the lending institutions. As advised by our PRC Legal Advisers, in the event of default, the lending institution may (i) realise such collaterals and apply the proceeds in settlement of the default amount, thereby reducing our liability under the guarantee (if any); or (ii) elect to require us to indemnify the lending institution for the default amount, in which case we may enter into agreement with the relevant parties, including such lending institution and the chargor of the collateral, to transfer the right to realise the relevant collaterals to us. As at 31 December 2012 and 31 May 2013, other than those charged to lending banks, such collaterals also included collaterals charged to and registered exclusively in favour of the Re-guarantee Company (acting as a principal guarantor) in transactions where we agreed to undertake a proportion of the Re-guarantee Company's guarantee amount. In such cases, pursuant to the agreement between the Re-guarantee Company and Success Guarantee, both parties were entitled to the collateral rights to such collaterals and proceeds from the realisation of such collaterals charged to the Re-guarantee Company shall be applied to compensate both parties in the agreed proportion with respect to the guaranteed obligations. Accordingly, for such cases, instead of the full value of the relevant collaterals, the value of collaterals provided in respect of our outstanding guarantees only comprised the portion of collateral value proportionate to our guarantee amount. The total value of such collaterals charged to the Re-guarantee Company attributable to our outstanding guarantees amounted to RMB248.6 million as at 31 December 2012 and RMB328.6 million as at 31 May 2013.

Based on our internal valuation, the total asset value of unregistered collaterals and customers' pledged deposits provided in respect of obligations guaranteed by us outstanding as at 31 December 2012 was approximately RMB3,539.7 million and RMB12.6 million respectively, which in aggregate accounted for approximately 64.2% of the total internally verifiable value of collaterals provided in respect of loans guaranteed by us. Based on our internal valuation, the total asset value of unregistered collaterals and customer's pledged deposits provided in respect of obligations guaranteed by us outstanding as at 31 May 2013 was approximately RMB3,460.6 million and RMB3.7 million respectively, which in aggregate accounted for approximately 63.7% of the total internally verifiable value of collaterals provided in respect of loans guaranteed by us.

BUSINESS

As confirmed by our Directors, we did not register the unregistered collaterals mainly because the collaterals do not possess the necessary land use rights certificates and the property ownership certificates to complete the registration process and the customers or the relevant parties are not willing to cooperate, for example, where the registration, if insisted, will adversely affect the procedure of the application for construction on the relevant land, or where the lease agreement was entered into by previous village committee with the lessee and the existing village committee is not willing to give consent to sub-let to effect registration.

Accordingly, as at 31 December 2012 and 31 May 2013, the total asset value of collaterals not registered in favour of our Group as primary beneficiary, which consisted of (i) collaterals registered not exclusively in favour of our Group; (ii) collaterals registered exclusively in favour of third parties; and (iii) unregistered collaterals and customers' pledged deposits, amounted to approximately RMB4,005.2 million and RMB3,956.2 million, representing approximately 72.4% and 72.8% of the total internally verifiable value of collaterals provided in respect of obligations guaranteed by us.

Certain portion of our Group's total outstanding guarantees as at 31 December 2012 was not secured by any registered collateral. As at 31 December 2012 and 31 May 2013, the aggregate guarantee amount of our outstanding guarantees which were not secured by any registered collaterals was approximately RMB536.8 million and RMB585.9 million, respectively. To mitigate risks associated with such guarantees we provided, we primarily focus on the assessment on the loan repayment capacity of our potential customers through our due diligence investigation and our analysis of their operation and revenue generating ability, details of which are set out in the section headed "Business — Internal control and risk management" in this prospectus. In respect of counter-guarantee measures, we required the relevant counter-guarantors to provide unregistered collaterals and/or personal or corporate guarantees in respect of the loans. As advised by our PRC Legal Advisers, in the event of default, our Group may enforce our contractual right on the collaterals and/or counter guarantees which are unregistered based on the collateral agreements and/or counter-guarantee agreements and pursuant to the applicable laws and regulations of the PRC. We may enforce such contractual rights in accordance with the procedures set out in the paragraph headed "Outstanding guarantees, compensation upon default and recovery" in this section; and the personal or corporate guarantees were unlimited and fully covered the entire loan amount. As such, we consider that taking into the account impact of realisation of the collaterals and/or the personal or corporate guarantees on the business operation and financial condition of our customers, the costs of default by our customers would increase substantially, thereby reducing the relevant default risks. Further, we also conduct post-transaction risk monitoring measures with an aim to reduce the default risks and the potential loss to us upon our customers' default.

It is possible that the collaterals and/or counter-guarantees provided in respect of loans guaranteed by us cannot be realised, or cannot be realised in time, or cannot be realised at prices that are equal to or above the amount of our liability under the guarantees given by us. For risks associated with realisation of collaterals, please refer to the section headed "Risk factors — Our Group provides financial and non-financial guarantee services to our customers and guarantees the repayment of loans or performance by our customers of their obligations and our Group will be liable under the guarantees given by us if our customers default; and the counter-guarantees obtained from our customers may not be sufficient to cover our corresponding exposure under the guarantees given by us" in this prospectus.

BUSINESS

As analysed above and disclosed in this section, for the guarantees with the relevant value of collaterals less than the outstanding guarantee amount, it has been our Group's risk control and management policies to manage the associated risks primarily by the assessment of the loan repayment capacity of the relevant customers in the guarantee approval process through due diligence investigation and operational and financial analysis on such customers. Further, in addition to collaterals (if any), as a form of counter-guarantee measures, personal or corporate guarantees were provided by our customer's owner(s) or director(s), their spouse and/or other third party(ies) in favour of our Group in respect of such guarantees. In each transaction conducted and completed during the Track Record Period, the personal or corporate guarantees were provided by them for the entire amount we guaranteed.

Having considered (i) the risk control and management procedures implemented by our Group so far up to the Latest Practicable Date; (ii) the total outstanding guarantee amount without being fully secured or not secured at all amounted to RMB182 million which is not significant when comparing to our Group's the total outstanding guarantee amount as at the Latest Practicable Date; and (iii) our Group's average historical loss rates had been less than 0.5% of the total outstanding guarantee amounts and the actual loss rates of 0%, 0.01%, 0.07% and 0% for each of the three years ended 31 December 2012 and the period from 1 January 2013 and up to the Latest Practicable Date respectively, which had demonstrated the proven continuing effort in minimising our risk exposure to the financial guarantee business during the Track Record Period and up to the Latest Practicable Date, the Joint Sponsors are of the view that our Group's overall risk exposure to total default on such non-fully secured cases is low, despite a portion of the outstanding guarantee amount is not fully secured or not secured at all.

Outstanding guarantees, compensation upon default and recovery

As part of our internal control, we established a set of internal guidelines to list out the procedures in case any of the customers fails to discharge their obligations under the guarantee, which are set out as follows. Around 30 days before its due date, our risk control department will remind the project manager to follow up with the customer urging the customer to repay the loan on time. If the customer wishes to extend the guarantee period he shall, after obtaining approval from the lending bank, submit a guarantee period extension application to us. Where loan is overdue and not repaid on time, the project manager will report to our general manager by submitting written inspection report setting out details of the overdue loan, reason for delay in repayment and measures to handling the matter.

In the event of a default or failure to repay any outstanding loan amount by its due date by the customers, the lending institution will serve an indemnification notice on us and we will be liable to indemnify the lending institution for the default amount within a certain period of time after such notice is served as stipulated under the guarantee contract between the lending institution and us. In such cases or where we are required to compensate the beneficiary under a guarantee agreement upon our customers' default, we will take the following steps as set out in the internal guidelines:

1. Our business operation department and our risk control department will conduct thorough investigation to ensure if there exist any fraud, dishonesty or malfeasance to identify the party responsible. We will then analyse the cause of default and prepare our plan for compensating the

BUSINESS

lending institution and the debt recovery plan, which may include proposals for the principal debtor to obtain capital for repayment, to realise their assets and/or to adjust their financial position and plans for our project managers to conduct site visits and monitor their operation and financial conditions (such as monitoring the settlement progress of account receivables).

2. After approving the compensation proposal and compensating the lending institution in accordance with the relevant cooperation agreement and guarantee agreement, we shall obtain the documentation and proof of debts and the relevant credit information from the lending institution in order for us to recover the guarantee amount. The principal debtor shall repay us the amount compensated by us in full within a period after we made the compensation as stipulated in the guarantee contract.
3. The project manager is responsible for the debt recovery while our risk control department shall cooperate closely with the project manager in the debt recovery process. The project manager will implement and/or propose modifications to the debt recovery plan according to the debtor's circumstances, conduct site visits to assess the operation of the principal debtor and regularly report on the progress of debt recovery.
4. We shall attempt to negotiate with the principal debtor and the party providing the counter-guarantee to agree on a settlement proposal. If no agreement can be reached, or where we are unable to recover the indemnified amount in full within six months, we shall bring action against the principal debtor and the party providing the counter-guarantee in accordance with the law.

The legal procedures we may take for the realisation of the collaterals provided under the counter-guarantee are set out below:

- In respect of collaterals charged to us as counter-guarantee and duly registered in our favour exclusively, as advised by our PRC Legal Advisers, in accordance with the Property Law of the PRC, where our customer (i.e. the principal debtor) fails to repay us the amount we pay to the lending bank on its behalf in full, we may reach an agreement with the party providing the counter-guarantee regarding the realisation of our security interest in the collaterals by means of conversion, auction or sale and the proceeds from the realisation will be applied to the settlement of the liabilities owed to us in preference to other creditors of the principal debtor. In case we fail to reach such an agreement with the party providing the counter-guarantee, as advised by our PRC Legal Advisers, we are entitled to request the competent court in the PRC for auction or sale of the relevant collaterals and we will be able to claim priority on such registered collaterals.
- In respect of collaterals registered in favour of two or more beneficiaries, as advised by our PRC Legal Advisers, the proceeds from the realisation of the collateral shall be applied to the settlement of liabilities owed to them according to the sequence of their registration. For collaterals not registered in favour of our Group exclusively and where we are registered as the second beneficiary over the collaterals, as advised by our PRC Legal Advisers, after we have indemnified the lending bank on behalf of our customers, we may claim priority over the value of the collateral not covered by the interest of the registered first beneficiary only if we have obtained the consent of the first beneficiary or the appropriate court order. As such, the proceeds will be repaid to us only after the liabilities owed to the first beneficiary have been settled.

BUSINESS

- In respect of unregistered collaterals charged to us, as advised by our PRC Legal Advisers, we are only entitled to contractual rights to such collaterals under the counter-guarantee agreements and we will not be able to claim priority on such collaterals over the other creditors of the principal debtor. As advised by our PRC Legal Advisers, we may also reach an agreement with the counter-guarantor or file an action to the court in the PRC for the realisation of such unregistered collaterals, but we will not be able to claim priority over the proceeds from the realisation against other creditors of the principal debtor.
- As advised by our PRC Legal Advisers, where we bring an action to the court in the PRC for the auction or sale of the registered or unregistered collaterals, the court will normally conclude the case within two to six months from the date when the action is filed to the court. The time required for the auction or sale ordered by the court is not stipulated under the PRC laws and regulations and is subject to the circumstances of the particular case, but based on our Directors' knowledge and experience in the industry, our Directors estimate that auction ordered by the court will take approximately 6 to 24 months to complete. Where we reach an agreement with the party providing the counter-guarantee regarding the realisation of the collaterals, the time required for realisation will depend on the terms of such agreement. Further, as advised by our PRC Legal Advisers, for the conversion, auction or sale of collaterals including properties, land use rights, vehicles and shares, changes in their registration need to be filed to the relevant authority and, normally, such procedures can be completed within one month. For conversion, auction or sale of collaterals including inventories, receivables, tenancy rights/sub-letting rights and insurance beneficiary rights, no registration procedure is required to be completed. Based on our Directors' knowledge and experience in the industry, our Directors estimate that conversion, sale or voluntary auction (as opposed to auction ordered by the court) will be completed in approximately six months.

Among 15 default cases during the Track Record Period, (i) in two cases (whose aggregate guarantee amount was about RMB6 million), all collaterals provided were registered; (ii) in nine cases (whose aggregate guarantee amount was about RMB36 million), collaterals provided comprised both registered and unregistered collaterals; and (iii) in four cases (whose aggregate guarantee amount was about RMB21 million), all collaterals provided were unregistered.

During the Track Record Period, there were only five cases where we were to realise the collaterals through litigation to recover our indemnified amounts. As at the Latest Practicable Date, the enforcement of judgment against the collaterals in one of the cases above had been completed. In that case, the relevant collaterals/counter-guarantees involved properties, machineries, tenancy rights and unlimited personal guarantees which cover the entire loan amount. The recovery process lasted for approximately 29 months since the date we indemnified the lending institution upon customer's default. For the remaining four default cases whose litigation or judgment enforcement process was still on-going as at the Latest Practicable Date, the respective indemnification for two default cases was made in February 2012, and the respective indemnification for the other two default cases was made in November 2012 and January 2013.

It is possible that the collaterals and/or counter-guarantees provided in respect of loans guaranteed by us cannot be realised, or cannot be realised in time, or cannot be realised at prices that are equal to or above the amount of our liability under the guarantees given by us. For risks associated with realisation of collaterals, please refer to the section headed "Risk factors — Our Group provides

BUSINESS

financial and non-financial guarantee services to our customers and guarantees the repayment of loans or performance by our customers of their obligations and our Group will be liable under the guarantees given by us if our customers default; and the counter-guarantees obtained from our customers may not be sufficient to cover our corresponding exposure under the guarantees given by us” in this prospectus.

Set out below is a summary of outstanding balance of guarantee amount and the number of outstanding guarantee contracts by type of our Group’s guarantee services during the Track Record Period:

Outstanding balance of guarantee amount and the number of outstanding guarantee contracts as at				
	31 December			31 May
	2010	2011	2012	2013
Financial guarantee	RMB1,024 million (287 contracts)	RMB1,411 million (293 contracts)	RMB1,368 million (252 contracts)	RMB1,410 million (238 contracts)
Non-financial guarantee	RMB43 million (20 contracts)	RMB133 million (11 contracts)	RMB116 million (16 contracts)	RMB129 million (28 contracts)

A summary of our Group’s exposure under its guarantees as at 31 May 2013 based on the maturity dates of the underlying outstanding guarantees is set out below:

	Amount of guarantee liabilities which will fall due within one year from 31 May 2013	Amount of guarantee liabilities which will fall due within two years but over one year from 31 May 2013	Amount of guarantee liabilities which will fall due within five year but over two years from 31 May 2013	Amount of guaranteed liabilities which have no fixed repayment deadline
As at 31 May 2013	(Note 1)	(Note 1)	(Note 1)	(Note 2)
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Amount of outstanding guarantees	1,539,109 (62.6%)*	962,820 (18.7%)*	287,284 (14.1%)*	217,990 (4.6%)

* Figures in brackets denote the amount of outstanding guarantees by our Group expressed as a percentage of the total guarantee amount of our Group as at 31 May 2013.

Notes:

1. The amount represents the amount of liabilities we guaranteed whose maturity date falls within one year from 31 May 2013, within two years but over one year from 31 May 2013 and within five years but over two years from 31 May 2013 respectively.
2. As at 31 May 2013, all of our outstanding guarantees which have no fixed repayment deadline related to the litigation guarantees we provided. Our management estimates that the litigation in relation to the litigation guarantees we provide generally conclude within approximately three months to one year.

BUSINESS

Set out below is a summary of cases (“**default cases**”) where our customers defaulted on loans guaranteed by us and the relevant lenders required compensation from us during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the period from 1 January 2013 and up to the Latest Practicable Date
	2010	2011	2012	Date
Number of new default cases (<i>Note 1</i>)	1	5	8	1
Default rate (<i>Note 2</i>)	0.2%	1.3%	1.1%	0.3%
Guarantee amount attributable to the new default cases (RMB million)	2.5	27.0	28.5	5.0
Approximate value of collaterals provided to us (RMB million) (<i>Note 3</i>)	9.4	166.3	81.0	18.9
Actual amount indemnified by us (RMB million) (<i>Note 4</i>)	2.2	20.7	17.0	5.0
Shortfall between the amount guaranteed by us and the value of collaterals provided to us (<i>Note 5</i>)	N/A	N/A	N/A	N/A
Actual loss incurred by us (RMB million)	Nil	0.1	1.1	Nil
Provision for trade receivables recognised in the consolidated statements of profit or loss of our Group (RMB million)	0.8	1.0	1.1	0
Actual loss rate (<i>Note 6</i>)	0%	0.01%	0.07%	0%
Status of default cases	No potential or on-going litigation (<i>Note 7</i>)	No potential or on-going litigation (<i>Note 7</i>)	No potential or on-going litigation in five cases (<i>Note 7</i>); enforcement of judgment against collateral in progress in two cases; one on-going litigation (<i>Note 8</i>)	Enforcement of judgment against collateral in progress

BUSINESS

Notes:

1. During the Track Record Period and up to the Latest Practicable Date, all default cases were related to the financial guarantees provided by us; and we had not been required to provide any compensation in respect of the litigation guarantees and/or performance guarantees provided by us.
2. The default rate represents the ratio of the total actual amount indemnified by us to the total outstanding balance of guarantee amount provided by us as at the end of the same period.
3. The value of collaterals provided to us represents the total value of collaterals and/or counter-guarantee provided to us in respect of the guarantee contract(s) for the default case(s) occurred during the relevant year/period, according to our internal valuation based on our valuation method adopted after the 2013 Valuation Capability Enhancement. Further details of the valuation methods are set out in the section headed “Business — Internal control and risk management” in this prospectus.
4. The actual amount indemnified by us also represented the total amount of payments initially made by our Group on behalf of our guarantee clients in default to the relevant banks or financial institutions in respect of default cases occurred during the relevant year/period before realisation of collaterals provided by such clients.
5. During the Track Record Period and up to the Latest Practicable Date, the value of collaterals (according to our internal valuation) exceeds the loan amount guaranteed by us in respect of each of the default cases.
6. The loss rate represents the ratio of the total amount of loss incurred on the default cases (being the total amount indemnified by us net of repayment made by our customers, proceeds from the realisation of collaterals and/or other means of debt recovery) to the total outstanding balance of guarantee amount provided by us as at the end of the same period.
7. For the default case during the year ended 31 December 2010, we recovered the amount we indemnified in full through the realisation of collaterals, the recovery process of which lasted for approximately 29 months since the date when indemnification was made. For the ten default cases during the two years ended 31 December 2012 with no potential or on-going litigation, we fully or partially recovered the amount we indemnified through repayments from our customers or through factoring, the recovery process of which lasted for less than a month and approximately 2 to 24 months since the date when indemnification was made, respectively. We did not realise the relevant collaterals in these ten default cases.
8. In the on-going litigation in respect of such default case, the court accepted (i) our claim against the relevant customers for the repayment of an aggregate amount of approximately RMB2.0 million comprising, among others, the actual amount indemnified by us and the relevant penalty under the guarantee contract on 25 January 2013; and (ii) our application for property preservation over the collaterals provided to us by such customers on 31 January 2013. The first instance for the hearing was held in April 2013, but the defendants were absent for presentation at the court. As at the Latest Practicable Date, the date for next proceeding is yet to be fixed by the court.

Our Directors consider that our Group will have sufficient working capital and financial resources to discharge its obligations, taking into account the following factors:

- the total outstanding balance of financial guarantees issued by our Group as at 31 May 2013 did not exceed the Aggregate Cap Amount as stipulated under the Interim Measures (i.e. 10 times of the net assets of Success Guarantee);

BUSINESS

- the level of net assets of our Group had been continuously improving from approximately RMB234.7 million as at 31 December 2010 to approximately RMB420.3 million as at 31 May 2013, representing approximately 27.3% of the total outstanding balance of our guarantee amount as at 31 May 2013, with respective current ratios of approximately 2.8 times to 6.6 times;
- the level of working capital (net current assets) of our Group had basically increased from approximately RMB185.5 million as at 31 December 2010 to approximately RMB225.4 million as at 31 May 2013;
- based on our internal valuation, the total value (which is internally verifiable by our internal record and documentation) of all collaterals provided in respect of our outstanding guarantee amount as at 31 May 2013 amounted to approximately RMB5,435.4 million, which, for illustrative purpose only, represents about 3.5 times of our outstanding guarantee amount as at 31 May 2013 (i.e. approximately RMB1,539 million). Notwithstanding that as at 31 May 2013 (i) our total unsecured outstanding guarantee amount was approximately RMB161.0 million; and (ii) guarantees with loan-to-value ratios exceeding 100% (excluding the unsecured guarantees) in aggregate amounted to approximately RMB148.5 million, our outstanding guarantees with a loan-to-value ratio of not more than 100%, which represented our fully secured guarantees, amounted to approximately RMB1,229.6 million, accounting for 89.2% of our total outstanding secured guarantee amount. The total value of collaterals registered in favour of our Group as at 31 May 2013 amounted to approximately RMB1,479.2 million. Although the value of unregistered collaterals and/or counter guarantees provided in respect of our outstanding guarantee amount as at 31 May 2013 was approximately RMB3,464.3 million, as advised by our PRC legal Advisers, our Group may still enforce its contractual right to the unregistered collaterals and/or counter guarantees based on the collateral agreements and/or counter-guarantee agreements and pursuant to the applicable laws and regulations of the PRC. For the guarantees with the relevant value of collaterals less than the outstanding guarantee amount, we managed the associated risks primarily by the assessment of the loan repayment capacity of the relevant customers in the guarantee approval process through due diligence investigation and operational and financial analysis on such customers, details of which are set out in the section headed “Business — Internal control and risk management” in this prospectus. Further, in addition to collaterals (if any), as a form of counter-guarantee measures, personal or corporate guarantees were provided by our customer’s owner(s) and director(s), their spouse or other third party(ies) in favour of our Group in respect of such guarantees. In each transaction, the personal or corporate guarantees were provided by them for the entire amount we guaranteed and, as at 31 May 2013, we obtained such guarantees in respect of over 90% of our total outstanding guarantee amount;
- our exposure to the guarantees provided by us are managed to an adequate level by our internal control and risk management process, details of which are set out in the section headed “Business — Internal control and risk management” in this prospectus. During the three years ended 31 December 2012 and the five months ended 31 May 2013, the default rate of our Group was approximately 0.2%, 1.3%, 1.1% and 0.3% respectively while the actual loss rate of our Group was merely approximately 0%, 0.01%, 0.07% and 0% respectively. Further, during the Track Record Period, we recovered fully or partially our indemnified amount through repayments from our customers, factoring and realisation of collaterals, the recovery process of which lasted for

BUSINESS

less than a month, approximately 2 to 24 months and approximately 29 months, respectively. Our Directors estimate that similar amount of time will be required to recover our indemnified amount, subject to the circumstances of the particular case. Given the relatively low default rate and time required for full recovery of our indemnified amount during the Track Record Period, our Directors consider that our operation and working capital position had not been materially affected by the default cases during the Track Record Period. In view of the above, our Directors consider that our obligations under the outstanding guarantee are limited to an adequate level and our Group has sufficient working capital and resources to discharge such obligations; and

- our Directors consider that the default risk of our customers are diversified as they are distributed in over eight different industries and, with 247 customers as at 31 May 2013, the average outstanding guarantee amount per customer was approximately RMB6.2 million.

We believe our long term business relationship with banks and other financial institutions, recurring customers and referrals from our past or existing customers, and the fact that we have been enlisted as one of the authorised guarantee companies to participate in certain cooperative programmes organised by the local governments in the PRC for the purpose of assisting SMEs in obtaining financing for their business development, demonstrates our ability to cater our services to customers' requirements and customers' general satisfaction to our services which we believe, in turn, could generate further business opportunities for us.

PRICING STRATEGIES

Our Group's pricing comprises services fees from financial guarantee contracts, non-financial guarantee contracts and financial consultancy contracts. The table below illustrates the rate of charges normally applied by our Group during the Track Record Period:

Type	Financial guarantee			Non-financial guarantee		Financial consultancy services
				Litigation guarantee	Performance guarantee	
Term	no more than 12 months	13-24 months	25-36 months	N/A	N/A	N/A
Fee scale	0.5%-4% of the loan size	4.5%-6% of the loan size	5.5%-7.5% of the loan size	0.5%-1.5% of the guarantee amount	0.5%-3.5% of the guarantee amount	a fee to be determined on arm's length negotiation between us and our customer
Payment terms	Due within one day after the execution of both of the loan agreement between our customer and the lending institution and the guarantee contract between our Group and the lending institution			Due on the date when the guarantee letter is issued to the court	Due within one day after the execution of the guarantee contract between our customer, our customer's counter-party and our Group	Due upon signing of the financial consultancy services contract; or payable by instalments

BUSINESS

(a) Guarantees

Financial guarantee fees and pricing. Our Group charges fees for the provision of financial guarantee services provided to our customers. The guarantee fees are determined with reference to, among others, the principal amount of guarantee obligations, the duration, repayment method, the counter-guarantees, collaterals and cash deposits provided by our customers (if any). Under the Opinions on SME Guarantee System, the benchmark rate for financial guarantee fees may be 50% of the bank's interest rate for loans with the same duration and the actual rates for individual transactions may be 30%-50% higher or lower than the benchmark rate, depending on the level of risks of the specific projects.

Non-financial guarantee fees and pricing. Our Group charges customers non-financial guarantee fees. The guarantee fees charged by us vary with, among others, the amount of guarantee obligations, duration and counter-guarantees conditions.

(b) Financial consultancy services

Our Group charges financial consultancy fees subject to commercial negotiations between our Group and our customers with reference to, among others, nature of the proposed transaction, the size of financing, and its complexity on a case by case basis. During each of the two years ended 31 December 2012 and the five months ended 31 May 2013, revenue generated from our financial consultancy services were approximately RMB11.0 million, RMB11.0 million and RMB2.8 million respectively.

As advised by our PRC Legal Advisers, our Group is obliged to charge fees for our financial guarantee services in accordance with the Interim Measures, the Implementing Rules and the Opinions on SME Guarantee System. Other than that, guarantee fees for non-financial guarantee services and financial consultancy fees charged by our Group are not subject to other regulations on the determination of the rate of guarantee fees or consultancy fees chargeable. As confirmed by our Directors, the range of the rate of the guarantee fees charged by our Group for our financial guarantee services was in compliance with the Interim Measures, the Implementing Rules and the Opinions on SME Guarantee System during the Track Record Period.

BUSINESS

GOVERNMENT GRANTS

For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, we received government grants amounting to approximately RMB4.1 million, RMB 8.2 million, RMB10.6 million and RMB0.3 million respectively. Such government grants were mainly issued with an aim to promote SME development in the PRC. A summary of the government grants received by our Group during the Track Record Period is set out below:

Identity of the awarding government authorities	Nature of grant	Major grant conditions and/or criteria for the applicant (Note 1)	Year ended 31 December			Five months ended 31 May
			2010	2011	2012	2013
			RMB'000	RMB'000	RMB'000	RMB'000
Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) and Ministry of Finance (中華人民共和國財政部)	Government cash subsidies for guarantee companies providing guarantee services to SMEs	<p>Regarding the grant received by us in 2010, (i) at least 80% of the New Guarantee Amount must be granted to SMEs; (ii) at least 60% or at least RMB250 million of the New Guarantee Amount must comprise guarantees of RMB8 million or below; (iii) the New Guarantee Amount must exceed 1.5 times of the applicant's paid-up capital; and (iv) the default rate during the assessment period must be less than 3%.</p> <p>Regarding the grants received by us in 2011, (i) at least 70% of the New Guarantee Amount must be granted to SMEs; (ii) at least 70% or at least RMB300 million of the New Guarantee Amount must comprise guarantees of RMB15 million or below; (iii) the New Guarantee Amount must exceed 3 times of the applicant's paid-up capital; and (iv) the default rate during the assessment period must be less than 3%.</p> <p>Regarding the grant received by us in 2012, (i) at least 70% or RMB1 billion of the New Guarantee Amount must be granted to SMEs; (ii) at least 70% or at least RMB300 million of the New Guarantee Amount must comprise guarantees of RMB15 million or below; (iii) the New Guarantee Amount must exceed 3.5 times of the applicant's paid-up capital; and (iv) the default rate during the assessment period must be less than 2%.</p> <p>For all the government grants above, the average guarantee fee rate charged by the applicant during the assessment period must not exceed 50% of the bank's loan interest rate for the same period.</p>	1,300	6,000	3,400	—

BUSINESS

Identity of the awarding government authorities	Nature of grant	Major grant conditions and/or criteria for the applicant (Note 1)	Year ended 31 December			Five months ended 31 May
			2010	2011	2012	2013
			RMB'000	RMB'000	RMB'000	RMB'000
Department of Finance of Guangdong Province (廣東省財政廳) and the Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會)	Government cash subsidy granted to guarantee companies providing guarantee services to SMEs engaging in commerce and trade (Note 2)	During the assessment period, (i) at least 20% of the New Guarantee Amount must be granted to SMEs engaging in commerce and trade; (ii) the New Guarantee Amount must exceed 2 times of the applicant's paid-up capital; (iii) the average guarantee fee rate charged by the applicant during the assessment period must not exceed 50% of the bank's loan interest rate for the same period; and (iv) the applicant's paid-up capital must exceed RMB40 million.	380	—	—	—
Department of Finance of Guangdong Province (廣東省財政廳) and the Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會)	Government cash subsidy granted to guarantee companies providing guarantee services to SMEs engaging in commerce and trade (Note 2)	The paid-up capital of the financial guarantee company applicant must exceed RMB40 million. For each guarantee of less than RMB8 million granted to SMEs during the assessment period, cash subsidy amounting to 2% of the relevant guarantee amount will be granted to the successful applicant.	—	—	—	339
Department of Finance of Guangdong Province (廣東省財政廳) and the Department of Foreign Trade and Economic Cooperation (廣東省對外貿易經濟合作廳)	Government cash subsidies granted to approved guarantee companies providing guarantee services to SMEs engaging in foreign trade (Note 2)	The applicant may be granted (i) an amount no more than 2% of the aggregate guarantee amount for guarantees of RMB5 million or above provided to SMEs engaging in foreign trade; and/or (ii) an amount not exceeding the difference between guarantee fee charged by the applicant during the assessment period and 50% of the bank's loan interest for the same period.	2,270	—	4,082	—
Department of Finance of Guangdong Province (廣東省財政廳) and the SME Bureau of Guangdong Province (廣東省中小企業局)	Government cash subsidies for guarantee companies providing guarantee services to SMEs (Note 2)	For the government grant received by us in 2011, the applicant must be principally engaged in the provision of guarantee services to SME. During the assessment period, (i) at least 50% of the New Guarantee Amount must be granted to SMEs; (ii) the New Guarantee Amount must exceed 3 times of the applicant's registered capital; and (iii) the applicant's default rate and loss rate must not exceed 3% and 2% respectively. For the government grant received by us in 2012, the applicant must be a "Model Institution of SME Financing Services in Guangdong Province" (廣東省中小企業融資服務示範機構) awarded by the Guangdong Province SME Bureau (廣東省中小企業局).	—	400	400	—

BUSINESS

Identity of the awarding government authorities	Nature of grant	Major grant conditions and/or criteria for the applicant (Note 1)	Year ended 31 December			Five months ended 31 May
			2010	2011	2012	2013
			RMB'000	RMB'000	RMB'000	RMB'000
Foshan Department of Finance (佛山市財政局) and the Bureau of Foreign Trade and Economic Cooperation of Foshan City (佛山市對外貿易經濟合作局)	Government cash subsidies for guarantee companies providing guarantee services to SMEs	For the government grant received by us in 2010, the applicant must be a guarantee company which (i) participated in the local credit rating programme of guarantee companies providing services to SMEs; and (ii) provided services in support of local SME development in accordance with the local government policies.				
		For the government grant received by us in 2011, during the assessment period, (i) at least RMB20 million of the New Guarantee Amount must be granted to SMEs, among which the amount of guarantees of RMB3 million or below each must in aggregate exceed RMB10 million; (ii) at least 50% of the New Guarantee Amount must be granted to SMEs; and (iii) the applicant's default rate must be less than 2%.	190	250	—	—
Local governments of various districts of Foshan City (Note 3)	Government cash subsidies for guarantee companies providing guarantee services to SMEs (Note 4)	For the grant from the local government of the Nanhai District of Foshan City, the applicant shall receive an amount equivalent to 0.8% to 1.2% of the average daily outstanding guarantee amount granted under the SME development scheme of a trust fund of such local government, subject to a maximum of RMB3 million.	—	1,030	2,233	—
		For the grant from the local government of the Gaoming District of Foshan City, the applicant shall receive an amount equivalent to 0.8% of the average daily outstanding guarantee amount granted under the SME development scheme of a trust fund of such local government, subject to a maximum of RMB1 million.	—	63	—	—
		For the grant from the local government of the Shunde District of Foshan City, (i) the applicant must be a guarantee company with a branch in the Shunde District established for over two years; and (ii) its average daily outstanding guarantee amount for the previous year must exceed RMB150 million. The applicant shall receive an amount equivalent to 0.6% of the average daily outstanding guarantee amount granted under the SME development scheme of a trust fund of such local government, subject to a maximum of RMB500,000.	—	500	500	—
Total:			4,140	8,243	10,615	339

BUSINESS

Notes:

1. The awarding government bodies determined whether to provide the relevant government grants based on, among others, the aggregate new guarantee amount (“**New Guarantee Amount**”) provided by the applicant during the assessment period, which generally referred to the year before lodging the relevant application.
2. Such cash subsidies may only be used in the indemnification in respect of guarantees we provide in case of our customers’ default or (in one case of such government grants) be utilised in the regulatory reserve in relation to financial guarantee losses. Our Directors confirm that such subsidies have not been used for any purpose other than the required purpose set out above.
3. Such local governments include the respective People’s Government, the Economic Promotion Bureau and tax bureau of Shunde District, Nanhai District, Gaoming District of Foshan City.
4. The cash subsidy granted jointly by the People’s Government and the Economic Promotion Bureau of Shunde District, and the cash subsidy granted jointly by the People’s Government, the Economic Promotion Bureau and the tax bureau of Gaoming District of Foshan City may only be used in the indemnification in respect of guarantees we provide in case of our customers’ default or be utilised in the regulatory reserve in relation to financial guarantee losses. Our Directors confirm that such subsidies have not been used for any purpose other than the required purpose set out above.

As at 31 May 2013, there was no remaining obligations to be fulfilled by our Group in relation to the government grants we received during the Track Record Period, save for the restrictions on the use of such grants as set out above. Our Directors are of the view that our Group has not been and will not be dependent on the government grants for its operation, taking into account that the government grants are granted based on our Group’s business operation (including, among others, the total amount of guarantee issued).

Taking into account that the major grant conditions for government grants to Success Guarantee during the Track Record Period generally stipulated a minimum level of New Guarantee Amount of the financial guarantee company and/or the New Guarantee Amount provided to SMEs, the business of our Group will continue to focus on (i) increasing the guarantee amount provided to SMEs in the PRC; and (ii) maintaining a low default rate in order to receive government grants for financial guarantee companies in the future.

CUSTOMERS

During the Track Record Period, most of our Group’s customers were SMEs which included, but are not limited to manufacturers, and construction enterprises. We source our customers through our sales and marketing efforts, from referrals from cooperation with banks and financial institutions, and we also have recurring customers as well as referrals from our existing or past customers. Referrals are not subject to any referral fees or rebate arrangements between our Group and our customers or cooperative banks or institutions.

BUSINESS

Set out below is a summary of numbers of our Group's customers and recurring customers of our Group during the Track Record Period:

	During the year ended			During the
	31 December			five months
	2010	2011	2012	ended 31 May
				2013
Number of customers contributing to the revenue recognised during the relevant year/period	276	324	305	247
Number of recurring customers	92	89	100	43

The following table shows the number of guarantee applications received, accepted and rejected during the Track Record Period according to our internal records:

	During the year ended			During the
	31 December			five months
	2010	2011	2012	ended 31 May
				2013
Number of guarantee applications received	243	312	325	110
Number of guarantee applications accepted	225	283	278	100
Number of guarantee applications rejected	18	29	47	10

The following table shows the number of new contracts entered into by us during the Track Record Period in each category of services:

	No. of contracts signed			
	During the year ended			During the
	31 December			five months
	2010	2011	2012	ended 31 May
				2013
Financial guarantee services	205	212	201	76
Non-financial guarantee services	20	21	15	24
Financial consultancy services	—	50	56	39

For the three years ended 31 December 2012 and the five months ended 31 May 2013, revenue from our Group's five largest customers accounted for approximately 13.8%, 11.6%, 14.2% and 14.0% respectively, of our Group's total revenue, while the largest customer accounted for approximately 6.1%, 4.3%, 4.4% and 6.8% respectively, of our Group's total revenue for the same periods.

BUSINESS

The profile of our five largest customers during the Track Record Period is summarised as follows:

Customer	Length of business relationship with us for the relevant year/period	Type of service rendered	Background of customer
<i>For the year ended 31 December 2010:</i>			
Customer J	2 years	Financial guarantee	Manufacturer of metal materials and building materials
Customer K	3 years	Financial guarantee	Manufacturer of mechanical and electrical equipment
Customer L	4 years	Financial guarantee	Manufacturer of building materials
Customer M	2 years	Financial guarantee	Communications equipment installation
Customer N	3 years	Financial guarantee	Manufacturer of metal products
<i>For the year ended 31 December 2011:</i>			
Customer A	1 year	Financial consultancy	Manufacturer of industrial electric wire and cable
Customer F	4 years	Financial guarantee and consultancy	Printing and packaging
Customer G	2 years	Financial guarantee and consultancy	Manufacturer of ceramics
Customer H	2 years	Financial guarantee	Property investment and Construction
Customer I	3 years	Financial guarantee	Construction
<i>For the year ended 31 December 2012:</i>			
Customer A	2 years	Financial consultancy	Manufacturer of industrial electric wire and cable
Customer B	4 years	Financial guarantee and consultancy	Manufacturer of furniture
Customer C	2 years	Financial guarantee	Manufacturer of ceramics
Customer D	1 year	Financial consultancy	Investment and property management
Customer E	2 years	Financial guarantee	Manufacturer of pumps
<i>For the five months ended 31 May 2013:</i>			
Customer A	3 years	Financial consultancy	Manufacturer of industrial electric wire and cable
Customer C	3 years	Financial guarantee	Manufacturer of ceramics
Customer E	3 years	Financial guarantee	Manufacturer of pumps
Customer O	2 years	Financial guarantee	Manufacturer of plastic products
Customer P	1 year	Financial guarantee	Retailer of building materials and property developer

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

For the three years ended 31 December 2012 and the five months ended 31 May 2013, approximately 81%, 76%, 72% and 64% respectively of our total outstanding guarantees relates to our customers who are in the manufacturing and processing industry. The customers in the manufacturing and processing industry are further categorised into 13 different industries, among which the highest concentrated industry for each of the two years ended 31 December 2011 was metal product industry, which accounted for approximately 22.5% and 17.5% of the outstanding guarantee amount as at 31 December 2010 and 31 December 2011 respectively. For the year ended 31 December 2012 and the five months ended 31 May 2013, the highest concentrated industry was ceramic construction materials industry, which accounted for approximately 13.3% and 11.7% of the outstanding guarantee as at 31 December

BUSINESS

2012 and 31 May 2013 respectively. Our Directors consider that, since our exposure to the manufacturing and processing industry is further sub-classified into 13 different industries, each of which is exposed to different risk factors, and concentration in each such industry is not intense; and the development of manufacturing and processing industries have been promoted and encouraged by the local government and enjoy more government support among the various industries; the level of concentration of our credit risk exposure is not particularly high and therefore, measures to mitigate credit risk are not necessary in this respect.

Furthermore, our Group adopts a prudent approach on the approval of guarantee applications and the post-transaction review of our customers.

SUPPLIERS

During the Track Record Period, our Group did not have regular or significant suppliers in terms of business nature.

MARKETING

The principal marketing strategies of our Group are referrals from cooperating financial institutions and from our existing or past customers, and our own sales and marketing efforts.

(a) Referral from cooperating financial institutions and customers

Our Group maintains good business relationships with the cooperating financial institutions as well as our past or existing customers. Some of our potential customers were referred to by the banks and institutions which have cooperation relationships with us. From time to time, some of our potential customers approach us through our past or existing customers. Referrals are not subject to any referral fees or rebate arrangements between our Group and our customers or cooperating financial institutions.

(b) Our own sales channels

Potential customers can approach us through our telephone hotline, website, business representatives from our main office in Foshan City and our branch offices in Sanshui District and Shunde District respectively of Guangdong Province.

(c) Seminars and forums

Our Group also participates in seminars and forums from time to time organized by guarantee industry associations and other organizations, such seminars or forums are attended by local government officials, bank officers, SMEs executives and our attendance can enhance our visibility in the industry and also enable us to expand our business connection and explore business opportunities.

INVESTMENT IN SUCCESS CREDIT

Apart from our guarantee services and financial consultancy services, we also provide small loans lending services through our investment in Success Credit. With a view to broaden our Group's business direction and to gain more experience of providing a broader range of financial services to SMEs, our Group completed the acquisition of approximately 18.18% interests in Success Credit on 18 December 2012. Success Credit, held as to approximately 18.18% by Success Guarantee at the Latest Practicable Date, is a limited liability company incorporated in the PRC with a registered capital of RMB200 million which is principally engaged in provision of small loans financing to SMEs and individuals. Success Credit is treated as an associate of our Group under equity method of

BUSINESS

accounting, because we can exert significant influence over its operating and financial policies. The business operation of Success Credit does not form a significant part of our Group's business as a whole. It was accredited as "Model Institution of SME Financing Services in Guangdong Province" (廣東省中小企業融資服務示範機構) by the Guangdong Province SME Bureau (廣東省中小企業局) in 2012.

Our Directors consider that Success Credit is a long term investment of our Group and has no material short term impact on our Group's performance since its business does not form part of the core business of our Group as at the Latest Practicable Date. Under existing PRC laws and regulations, the main promoters, the largest shareholders and their respective affiliated entities cannot collectively be interested in more than 45% interests of a small loan lending company, and each of the main promoters, the largest shareholders and their respective affiliated entities shall not hold more than 20% interests of such company. In future where the law permits, we may acquire further interests in Success Credit to increase our investment in it.

COMPETITIVE LANDSCAPE

Taking into account the growth of SMEs in the PRC, their increasing financing needs and the entry barrier to the guarantee industry, our Directors consider that there is competition between our Group and the government-financed and privately-controlled guarantee companies in the PRC, particularly in the Guangdong Province. According to the Ipsos Research Report, the guarantee industry in the Guangdong Province is consolidating with the top financial guarantee companies, where the top seven financial guarantee service providers, in terms of revenue, in the Guangdong Province accounted for about 28.7% of the total market revenue in 2012. There was about 373 and 37 registered financial guarantee service providers in Guangdong Province and Foshan City respectively in 2012. Instead of engaging in direct competition, financial guarantee companies strive to raise their reputation and strengthen their cooperation with banks. The major factors affecting their performance include their capital, their reputation, their risk control ability and their relationship with banks. Details of the competitive landscape of the guarantee industry are set out in the section headed "Industry overview — Analysis of the financial guarantee service industry — Competitive landscape of financial guarantee service industry in Guangdong Province" in this prospectus. Our Directors believe that the competitive strengths of our Group set out in the section headed "Business — Competitive strengths" in this prospectus may allow us to compete effectively with our major competitors. Further, following the Guangdong Guarantee Incidents, the industry implications of which are set out in the section headed "Industry overview — Analysis of financial guarantee service industry — Future trends and developments" of this prospectus, our Directors believe that the expected elimination of the unqualified guarantee service providers may reduce competition in the guarantee industry and raise recognition for guarantee companies among the public and the financial institutions, which may be beneficial to our Group's business in the long run.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had 51 full-time employees. Set out below is a breakdown of the number of our full-time employees by function:

Division	Number of employees
Management	5
Business operation	27
Risk control	4
Internal control	2
Finance	4
Administration	7
Compliance	<u>2</u>
Total	<u><u>51</u></u>

We recruit our personnel from the open market and we enter into employment contracts with them. We offer competitive remuneration packages to our employees, including salaries and bonuses to qualified employees. We provide training to our staff on a regular basis to enhance their knowledge of the financial products in the market and the applicable laws and regulations in relation to the industry in which our Group operates.

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, hospital insurance, insurance for maternity leave (together “**social insurance**”) and housing provident fund contributions. Based on the relevant confirmation letters issued by the relevant authorities in charge and based on the advice of our PRC Legal Advisers, our Directors believe that we have no outstanding social insurance funds payable by us in accordance with PRC law as at the Latest Practicable Date.

As at the Latest Practicable Date, we have not experienced any strikes, work stoppages or labour disputes which affected our operations and we believe we have maintained good working relations with our employees.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have been licensed to use the trademarks of Success Holdings set out in the section headed “Further information about our business — Intellectual property rights” in Appendix IV to this prospectus. Please refer to the section headed “Connected transactions” in this prospectus for details of the trademark licence agreements.

Further information in relation to our intellectual property rights is set out in Appendix IV to this prospectus.

BUSINESS

INSURANCE

Our Group maintains social insurance for its employees as required by the PRC social security regulations. As at the Latest Practicable Date, we had not been the subject of any insurance claims which are material to us. Based on the confirmation issued by the relevant social insurance bureau of Foshan City, our PRC Legal Advisers confirmed that we have complied with the PRC social insurance law and regulations.

As at the Latest Practicable Date, our Group did not maintain insurance for the assets pledged to our Group under the counter-guarantees provided by our customers or their owners. Instead, our Group may require the chargors to maintain insurance for the pledged assets under the counter-guarantees, where we consider necessary. Our Directors and the Joint Sponsors consider that our Group's insurance coverage shall be adequate.

PROPERTY INTERESTS

As at the Latest Practicable Date, to support our business activities and operations, we leased four premises in the PRC with an aggregate floor area of approximately 1,436 square metres as offices. Such properties were not used for property activities as defined under Rule 5.01(2) of the Listing Rules and their details are set out below:

No.	Location	Gross floor area (sq.m.)	Existing usage	Lease term
1.	廣東省佛山市季華五路29號廣發大廈21樓 (21st Floor, Guangfa Building, No.29 Jihua 5th Road, Chancheng District, Foshan, Guangdong Province, the PRC*)	1,100	Office	1 February 2013 to 31 January 2014
2.	廣東省佛山市三水區西南街道張邊路9號 “三水廣場”3座842單元 (Unit 842, Block 3, Sanshui Plaza, No.9, Zhangbian Road, Xinan Street, Sanshui District, Foshan, Guangdong Province, the PRC*)	109	Office	20 July 2013 to 19 July 2016
3.	廣東省佛山市順德區大良沿江北路121號 建設大廈第十八樓C區寫字樓 (Region C, 18th Floor, Jian She Building, No. 121 Yan Jiang Bei Road, Da Liang, Shunde District, Foshan, Guangdong Province, the PRC*)	191.5	Office	3 August 2012 to 31 August 2015
4.	廣東省佛山市順德區大良鎮沿江北路121號 建設大廈第十二樓A7區寫字樓 (Region A7, 12nd Floor, Jian She Building, No. 121 Yuan Jiang Bei Road, Da Liang Town, Shunde District, Foshan Guangdong Province, the PRC*)	35.9	Office	1 July 2013 to 30 June 2016

BUSINESS

Pursuant to (i) amendments to Chapters 5 and 11 of the Listing Rules and (ii) the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) (Amendment) Notice 2011, both of which came into effect on 1 January 2012, exempt property interests are not required to be the subject of a valuation report set out in a prospectus. Whether a property interest is exempt depends on its carrying amount being below, in the case of property interests of non-property activities, 15% of total assets, and in the case of property interests of property activities, 1% of total assets (assuming they together do not exceed 10% of our Group's total assets). Operating leases are also exempt from the requirement under the Listing Rules.

Our Directors have considered the requirements under Rules 5.01A and 5.01B of the Listing Rules when assessing whether any of our property interests is subject to the requirement to be set out in a valuation report in this prospectus.

Our Directors confirmed that, as at 31 May 2013, the latest audited consolidated statement of financial position date, (i) the aggregate carrying amount of each of our property interests of property activities with a carrying amount of less than 1% of our total assets did not exceed 10% of our total assets in compliance with Rule 5.01A(1) of the Listing Rules; and (ii) each of our property interests of non-property activities had a carrying amount of less than 15% of our total assets in compliance with Rule 5.01A(2) of the Listing Rules.

Pursuant to Rule 5.01B(2)(b) of the Listing Rules, our Directors confirm that as at 31 May 2013, no single property interest of our Group's non-property activities had a carrying amount of 15% or more of our total assets.

As at the Latest Practicable Date, our Directors confirm that no single property interest of our Group was material to our Group's total assets, and none of our property interests was individually material to us in terms of turnover contribution or rental expenses.

Accordingly, all of our Group's property interests are exempt from the requirement to be set out in a valuation report in this prospectus.

SAFETY AND ENVIRONMENTAL PROTECTION

Due to the nature of our business, our operational activities do not generate industrial pollutants and our operations do not raise any material safety or health related concerns and we did not incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. As at the Latest Practicable Date, we have not come across any non-compliance issues in respect of any applicable laws and regulations on environmental protection and safety or any complaints from our customers or the public in respect of safety and health issues relating to the use of, or any incidents arising from, the use of our application solutions.

Our Directors are of the view that there are no environmental and safety laws and regulations which may affect the provision of our application solutions and services in any material respect, and that our operational activities are in compliance with the application laws and regulations of the PRC in respect of environmental protection and safety.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be involved in litigation or other legal proceedings in the ordinary course of our business. As at the Latest Practicable Date, we are not aware of any legal or administrative proceedings currently existing or pending against us that would have a material adverse effect on the operating results or financial conditions of our Group.

As advised by our PRC Legal Advisers, save as disclosed in the paragraph headed “Legal proceedings and compliance — Non-compliance” in this section, our Group has complied with all major PRC laws and regulations during the Track Record Period.

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had duly obtained all approvals, permits, consents and licences relating to our incorporation and necessary for the our business operation and all of them are in force as at the Latest Practicable Date.

Compliance

During the Track Record Period and as at the Latest Practicable Date, our Group had obtained the following licence for the operation of its business, in addition to its business licenses:

Name of our Group’s member	Name of licence/permit	Validity of licence/permit
Success Guarantee	融資性擔保機構經營許可證 (Operating Licence for Financial Guarantee Institutions)	23 March 2011 to 23 March 2016

The Interim Measures set out detailed requirements for financial guarantee companies in relation to, among others, their minimum registered capital, organisation form, business scope, maximum outstanding guarantee amount for a single customer. The financial guarantee companies established in the PRC before the Interim Measures were granted a transitional period from 8 March 2010 to 31 March 2011 for the purposes of reviewing their existing businesses and carrying out necessary rectifications according to the Interim Measures and the relevant implementing rules promulgated by the provincial governments. Additional information on the Interim Measures and the relevant implementing rules is set out in the section headed “Regulatory overview” in this prospectus.

Prior to the promulgation of the Interim Measures, there were no major specific laws and regulations governing guarantee companies or guarantee business save for the following laws and regulations:

- the Guarantee Law of the PRC (中華人民共和國擔保法) to govern the relationship between guarantors and principal debtors under guarantee contracts; and
- the Opinions on SME Guarantee System to provide guidelines in relation to financial guarantee fees.

BUSINESS

Set out below are the major regulatory requirements applicable to our Group and a summary of how our Group has complied with them during the Track Record Period:

- | | |
|--|--|
| <p>1. Applicable laws and regulations</p> | <p>Interim Measures (“Record-filing Measures”) for Record-filing of SME Credit Guarantee Institutions (中小企業信用擔保機構備案暫行辦法) issued by the Commission for Foreign Economic Relations and Trade of Guangdong Province (廣東省經濟貿易委員會), the Department of Finance of Guangdong Province (廣東省財政廳), the Guangdong Financial Office and the Guangzhou Branch of the People’s Bank of China (人民銀行廣州分行)</p> |
| <p>Regulatory requirements</p> | <p>Article 7:</p> <p>Guarantee companies established in accordance with the law shall complete the record-filing procedures with the relevant record-filing authority within one month of its registration with the relevant registration authorities. Guarantee companies which are already operating shall complete the record-filing procedures within one month of the announcement of the Record-filing Measures.</p> |
| <p>How our Group meets the regulatory requirements during the Track Record Period</p> | <p>According to the record-filing certificate of SME financial guarantee institutions in Guangdong Province dated 25 October 2005 and issued by the Bureau of Foreign Trade and Economic Cooperation of Foshan City (佛山市經濟貿易局), Success Guarantee has completed the record-filing procedures in accordance with applicable regulatory requirements.</p> |
| <p>2. Applicable laws and regulations</p> | <p>Interim Measures for the Post-holding Qualifications of Directors, Supervisors and Senior Management of Financial Guarantee Companies (融資性擔保公司董事、監事、高級管理人員任職資格管理暫行辦法)</p> |
| <p>Regulatory requirements</p> | <p>Article 3:</p> <p>The post-holding qualifications of directors, supervisors and senior management of financial guarantee companies shall be submitted to the regulatory authorities for approval.</p> |
| <p>How our Group meets the regulatory requirements during the Track Record Period</p> | <p>In its reply dated 30 January 2011 regarding the post-holding qualifications of certain of our officers, the Guangdong Financial Office approved the appointment of Mr. Zhang Tiewei and Mr. Li Bin as the chairman and general manager of Success Guarantee respectively.</p> <p>In its reply dated 15 February 2011 regarding the post-holding qualifications of certain of our officers, the Foshan Financial Bureau approved the appointment of Mr. Xu Kaiying as vice chairman, Mr. He Darong, Mr. Pang Haoquan and Mr. Chen Guoxian as directors, Ms. He Jingyun as chief supervisor, Mr. Lan Tiecheng and Mr. Yu Jianqun as supervisors, Ms. Dai Jing as senior vice general manager, Mr. Zhong Zhiqiang as risk control director and Ms. Zhao Minquan as chief financial officer of Success Guarantee, the appointment of Mr. Yuan Chen as general manager of Shunde branch office of Success Guarantee and the appointment of Mr. Huang Yuan as general manager of Sanshui branch office of Success Guarantee.</p> |
| <p>3. Applicable laws and regulations</p> | <p>Implementing Rules (<i>Note 1</i>)</p> |
| <p>Regulatory requirements</p> | <p>Article 8:</p> <p>Financial guarantee companies approved to be established shall include the words “Financial Guarantee (融資擔保)” in its company name. They shall obtain the business license issued by the Guangdong Financial Office before applying for registration with industry and commerce administration authorities.</p> |

BUSINESS

Unless otherwise provided by laws and administrative regulations, any entities or individuals shall not conduct financial guarantee business nor shall they include the words “Financial Guarantee” in its company name without prior approval.

How our Group meets the regulatory requirements during the Track Record Period

The Guangdong Financial Office has stated in its reply dated 23 March 2011 that Success Guarantee had been granted the business licence as it became qualified following the regulatory examination and rectification in the Guangdong Province. Success Guarantee had obtained the operating licence for financial guarantee institutions issued by the Guangdong Financial Office on 23 March 2011. The Sanshui branch and Shunde branch of Success Guarantee obtained each of their operating licence for financial guarantee institutions issued by the Guangdong Financial Office on 12 July 2011. As Success Guarantee obtained the operating licence for financial guarantee institutions and included the “Financial Guarantee” in its company name before 31 March 2011, Success Guarantee conducted its financial guarantee in compliance with article 8 of the Implementing Rules during the Track Record Period.

4. **Applicable laws and regulations**

Implementing Rules (*Note 1*)

Regulatory requirements

Article 10:

The minimum capital requirements for financial guarantee companies shall vary from region to region.

Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing are classified as Class I regions, and the others are classified as Class II regions. The minimum registered capital for financial guarantee companies in Class I regions shall be RMB100 million, and the minimum registered capital for financial guarantee companies in Class II regions shall be RMB50 million.

How our Group meets the regulatory requirements during the Track Record Period

The registered capital of Success Guarantee increased to RMB200 million in February 2009. According to the business licence of Success Guarantee issued by Foshan Administration of Industry and Commerce (佛山市工商行政管理局) and dated 17 September 2012, Success Guarantee has a registered capital of RMB250 million. The registered capital of Success Guarantee exceeded RMB100 million before 31 March 2011 and throughout the Track Record Period. As such, Success Guarantee had complied with article 10 of the Implementing Rules throughout the Track Record Period.

5. **Applicable laws and regulations**

Implementing Rules (*Note 1*)

Regulatory requirements

Article 29:

Financial guarantee companies shall not conduct any of the following activities:

- (i) taking deposits;
- (ii) granting loans;
- (iii) granting entrusted loans;
- (iv) entrusted investments;
- (v) any other activities prohibited by the Guangdong Financial Office.

BUSINESS

How our Group meets the regulatory requirements during the Track Record Period

Details of our Group's non-compliance with the provision prohibiting financial guarantee companies from granting loans are set out in the paragraph headed "Non-compliance" in this section.

As advised by our PRC Legal Advisers, the restrictions under article 29 of the Implementing Rules regarding entrusted investments (受託投資) prohibit a financial guarantee company from being entrusted funds to make investments as a trustee. During the year ended 31 December 2012, Success Guarantee entered into an entrusted investment agreement with Guangdong Finance Trust Co. Ltd (廣東粵財信託有限公司) ("Yuecai Trust"), pursuant to which Yuecai Trust was entrusted by Success Guarantee to invest in certain debt securities. As confirmed by our Directors, we made such entrusted investments with internal funds from our Group. Accordingly, as advised by our PRC Legal Advisers, we did not act as a trustee under our entrusted investment arrangement with Yuecai Trust and hence such entrusted investment arrangement did not violate article 29 of the Implementing Rules.

6. Applicable laws and regulations

Implementing Rules (*Note 1*)

Regulatory requirements

Article 33:

Financial guarantee companies and the guaranteed may negotiate as to whether client deposits will be charged. The client deposits received shall be deposited into a special bank account in accordance with the custody agreement entered into among the financial guarantee company, the guaranteed and the bank, which will be under the management of the bank and shall not be appropriated by any entities or individuals.

How our Group meets the regulatory requirements during the Track Record Period

Details of our Group's non-compliance with such requirements are set out in the paragraph headed "Non-compliance" in this section. In accordance with the requirements applicable to the industry, our Group has formulated internal guidelines which were adopted by our Group in May 2012, which specifies the major requirements for receiving and dealing with customers' pledged deposits, including the entry into tripartite custodian agreement among lending bank, customer and our Group for ensuring the entrustment of lending banks to manage the deposits, the deposit of the customers' pledged deposits received from customers into a segregated bank account, and that such deposits shall not be mis-appropriated.

In March 2013, a supplemental internal guideline for providing clearer internal guidance to our employees on management of customers' pledged deposits was adopted by our Group to strictly enforce the requirements under our first set of internal guidelines adopted earlier in May 2012. Under the supplemental guideline, it was strictly required that the Implementing Rules and the first set of internal guidelines be strictly implemented, and in particular, where tripartite custody agreement cannot be entered into to ensure that the deposits received from customers be kept in a segregated custodian bank account and be managed by the relevant bank, no customers' pledged deposits shall be received by our Group. Our Group also maintains a deposit management record and records every deposit to be received for ease of management and supervision since March 2013.

7. Applicable laws and regulations

Implementing Rules (*Note 1*)

Regulatory requirements

Article 34:

The outstanding balance of financial guarantee obligations of any financial guarantee company shall not exceed 10 times its net assets.

BUSINESS

The outstanding balance of financial guarantee obligations of any financial guarantee company in respect of guarantees provided for any single customer shall not exceed 10% of its net assets; the balance of financial guarantee obligations in respect of guarantees provided for any single customer and its related parties shall not exceed 15% of its net assets; the balance of financial guarantee obligations in respect of guarantees provided for bond issues by any single customer shall not exceed 30% of its net assets. The outstanding balance of financial guarantee obligations means the amount of guarantee obligations in which a financial guarantee company actually bears the risks, excluding the amount of obligations shared in accordance with contracts among banking institutions, re-guarantee institutions, government guarantee funds and other financial guarantee companies.

How our Group meets the regulatory requirements during the Track Record Period

Since the implementation of the Implementing Rules in November 2010, our Group has been complying with Article 34. Prior to May 2013, to monitor the compliance matters of our daily operation and the decision making process of Success Guarantee, according to our internal guidelines, our risk control department was responsible for reviewing every proposed transaction of Success Guarantee and rejecting any non-compliant proposed transaction for avoiding any non-compliant business operation.

Since May 2013, in addition to appointing an independent compliance officer with effect from 2 May 2013, our Group has formulated internal guidelines governing the discharge of duties by the compliance officer and a compliance checklist which shall be complied with during the operation of our Group. The compliance officer will check every transaction against the checklist (including compliance with article 34 of the Implementing Rules) before it takes place, and any non-compliant transaction will be rejected. Training on the requirements of the Implementing Rules had also been provided to our employees during the Track Record Period. In September 2013, our independent compliance department was established to take up the duty of our independent compliance officer since then.

8. **Applicable laws and regulations**

Implementing Rules (*Note 1*)

Regulatory requirements

Article 35:

Financial guarantee companies shall invest with their own funds only in treasury bonds, financial bonds and fixed-income financial products with high credit ratings such as debt financing instruments issued by large enterprises, and other investments in which there are no conflicts of interest and which in aggregate do not exceed 20% of their net assets.

How our Group meets the regulatory requirements during the Track Record Period

Since the implementation of the Implementing Rules in November 2010, our Group has been complying with Article 35. Prior to May 2013, as confirmed by our Company, our financial department propose the transactions for review by the general manager of Success Guarantee who was responsible for reviewing every proposed transaction of Success Guarantee and rejecting any non-compliant proposed transaction for avoiding any non-compliant business operation.

Since May 2013, in addition to appointing an independent compliance officer with effect from 2 May 2013, our Group has formulated the internal guidelines governing the discharge of duties by the compliance officer and a compliance checklist which shall be complied with during the operation of our Group. The compliance officer will check every transaction against the checklist (including compliance with Article 35 of the Implementing Rules) before it takes place, and any non-compliant transaction will be rejected. Training on the requirements of the Implementing Rules had also been provided to our employees during the Track Record Period. In September 2013, our independent compliance department was established to take up the duty of our independent compliance officer since then.

BUSINESS

9. **Applicable laws and regulations**
Regulatory requirements

How our Group meets the regulatory requirements during the Track Record Period
- Implementing Rules (*Note 1*)
- Article 36:
- A financial guarantee company shall not provide financial guarantees for its affiliates such as its parent and subsidiaries, and its shareholder(s) who hold(s) 5% or more of its shares and its/their affiliates. This restriction does not apply to mutual financial guarantee companies.
- Details of our Group’s non-compliance with such requirements are set out in the paragraph headed “Non-compliance” in this section.
- Prior to May 2013, to monitor the compliance matters of our daily operation and the decision making process of Success Guarantee, according to our internal guidelines, our risk control department was responsible for reviewing every proposed transaction of Success Guarantee and rejecting any non-compliant proposed transaction for avoiding any non-compliant business operation.
- Since May 2013, in addition to appointing an independent compliance officer with effect from 2 May 2013, our Group has formulated the regulations governing the performance of duties by the compliance officer and a compliance checklist which shall be complied with during the operation of our Group. The compliance officer will check every transaction against the checklist (including compliance with this article) before it takes place, and any non-compliant transaction will be rejected. Training on the requirements of the Implementing Rules had also been provided to our employees during the Track Record Period. In September 2013, our independent compliance department was established to take up the duty of our independent compliance officer since then.
10. **Applicable laws and regulations**
Regulatory requirements
- Implementing Rules (*Note 1*)
- Article 37:
- Financial guarantee companies shall set aside 50% of guarantee premium during the year as unearned premium reserve using the difference method where the unearned premium reserve provided for the previous year can be carried forward to or deducted from the unearned premium reserve as should be provided during the year.
- Financial guarantee companies shall each year establish guarantee indemnification reserve of no less than 1% of the outstanding guarantee balances as at the end of the year. The guarantee indemnification reserve shall be set aside using the difference method should it reach 10% of the guarantee balances in total during the year.
- The administration measures for setting aside and utilising unearned premium reserve and guarantee indemnification reserve are otherwise formulated by provincial financial offices. Provincial financial offices may require a higher percentage of guarantee indemnification reserve based on the obligation risk profiles of financial guarantee companies and the need for prudential supervision. Financial guarantee companies shall manage risks by types of guarantee obligations and accurately measure risks of guarantee obligations.

BUSINESS

How our Group meets the regulatory requirements during the Track Record Period

Our Group has provided unearned premium reserve equal to 50% of guarantee premium during the year as required during the Track Record Period and established guarantee indemnification reserve of no less than 1% of the outstanding guarantee balances as at the end of the year. Such reserves are reviewed and approved at the end of each year during tax audit and year-end audit of financial statements.

11. **Applicable laws and regulations**

Notice on Guarantee Deposits (*Note 2*)

Regulatory requirements

The use of client guarantee deposits received by financial guarantee institutions shall be restricted to compensation in the event of default as agreed in contracts. The use of client guarantee deposits as entrusted loans, investment or other uses is strictly prohibited, and they shall not be used to pay deposits to banking institutions. Financial guarantee institutions shall not charge client guarantee deposits in the form of management fees or consultation fees, nor shall they charge client guarantee deposits off-the-record disguisedly in the form of providing wealth management services to clients or withholding client loans. Financial guarantee institutions shall deposit in full the client guarantee deposits received into a special account maintained with banking institutions. Financial guarantee institutions shall implement the circular and adopt rectification measures by 30 September 2012 in respect of any client guarantee deposits received before its issue.

How our Group meets the regulatory requirements during the Track Record Period

Details of our Group's non-compliance with such requirements are set out in the paragraph headed "Non-compliance" in this section.

In accordance with the requirements applicable to the industry, our Group has formulated internal guidelines regarding the deposits which were adopted by our Group in May 2012, which specifies the major requirements for receiving and dealing with customers' pledged deposits, including the entry into tripartite custodian agreement among lending bank, customer and our Group for ensuring the entrustment of lending banks to manage the deposits, the deposit of the customers' pledged deposits received from customers into a segregated bank account, and that such deposits shall not be mis-appropriated.

In March 2013, a supplemental internal guideline for providing clearer internal guidance to our employees on management of customers' pledged deposits was adopted by our Group to strictly enforce the requirements under our first set of internal guidelines adopted earlier in May 2012. Under the supplemental guidelines, it was required that the Implementing Rules and the first set of internal guidelines be implemented, and in particular, where tripartite custody agreement cannot be entered into to ensure that the deposits received from customers be kept in a segregated custodian bank account and be managed by the relevant bank, no customers' pledged deposits shall be received by our Group.

Our Group also maintains a deposit management record and records every deposit to be received for ease of management and supervision since March 2013.

Notes:

1. As advised by our PRC Legal Advisers, pursuant to article 60 of the Implementing Rules, financial guarantee companies established before the effective date of the Implementing Rules (i.e. 1 November 2010) were required to comply with the requirements therein by 31 March 2011. Accordingly, Success Guarantee, being a financial guarantee company established in 1996, was required to comply with the requirements under the Implementing Rules by 31 March 2011.
2. As advised by our PRC Legal Advisers, the requirements under the Notice on Guarantee Deposits were required to be fulfilled by 30 September 2012.

BUSINESS

Non-compliance

During the Track Record Period, our Group has failed to comply with certain laws and regulations in the PRC, a summary of which is set out as follows:

1. Advances

Events of and reasons for non-compliance

During the Track Record Period, there were instances where our Group did not comply with the General Rules on Credit and the Interim Measures in relation to certain advances made by our Group (“**Advances**”).

Success Guarantee made certain Advances to certain independent third parties and related parties from time to time during the Track Record Period. As at 31 December 2010, 2011 and 2012 and 31 May 2013, the outstanding balance of the Advances to related party amounted to approximately RMB43.4 million, RMB3.9 million, nil and nil respectively. During each of the three years ended 31 December 2012 and the five months ended 31 May 2013, our Group granted 85, 37, 20 and nil Advances to a total of 28, nil, nil and nil independent third parties and 3, 1, 1, and nil related parties respectively. During each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the total amount of Advances provided by us was approximately RMB849.0 million, RMB429.0 million, RMB426.2 million and nil respectively. All of such Advances bear no interest and Advances to related parties were mainly made for the purposes of better working capital management among entities controlled by the then shareholders of Success Guarantee, while the Advances to the independent third parties were made with an aim to maintain or develop long-term cooperation relationship with such parties, which generally were our then existing customers or business entities which we intended to develop business relationships with, by providing assistance for their temporary financial needs and/or working capital requirements on request by such third parties. Under the General Rules on Credit, effective since 1 August 1996, a corporate entity which provides loans to another corporate entity may be subject to a maximum penalty amounting to five times of the interest received from the corporate borrower. Under the Interim Measures, financial guarantee companies are prohibited from engaging in the financing business.

The chairman and the general manager of Success Guarantee, each an executive Director (collectively, “**Relevant Directors**”), were involved in the authorisation of the Advances. As (i) all of the Advances did not bear any interests; and (ii) the relevant penalty under the General Rules on Credit is based on the income generated from the loans between corporate entities and our Group did not derive any income from the Advances, the Relevant Directors were not aware at the relevant time that such Advances constituted loans as stipulated under the Interim Measures or the General Rules on Credit. As such, they considered that no penalties would be imposed on Success Guarantee in relation to the Advances and they were not in breach of the above regulations; and therefore they authorised the Advances. Further, as the Relevant Directors at the material time considered that (i) our Group would not receive any interest or fee from the Advances and thus the Advances differed materially from non-compliant financing activities commonly engaged by companies in the PRC, which generally involved interest-bearing loans; and (ii) the Advances were mainly made for the purposes of conducting capital management and enhancing business relationship as set out above, but not for obtaining interest income by providing financing to other entities, they did not realise that the General Rules on Credit or the Interim Measures were applicable to the Advances and therefore had not sought formal legal advice prior to authorising the Advances.

BUSINESS

Legal consequences and potential penalties and financial losses

Pursuant to the General Rules on Credit, the maximum potential penalty for a corporate entity providing loans to another corporate entity shall be five times of the interests received from the corporate borrower and the inter-company loan may be declared invalid. As such, as advised by our PRC Legal Advisers, the Advances may be declared invalid but, as all Advances provided by our Group were not interest-bearing, Success Guarantee will not be subject to the monetary penalty set out above. As advised by our PRC Legal Advisers, there were no specific penalty provisions on financial guarantee companies engaged in the financing activities under the Interim Measures.

Success Guarantee obtained a confirmation letter dated 6 August 2012 (“**Confirmation Letter**”) from the Foshan Financial Bureau, confirming that (i) no penalty had been imposed on Success Guarantee in relation to the Advances; (ii) the relevant Advances have been basically settled as at 30 June 2012; and (iii) the Foshan Financial Bureau will continue to support Success Guarantee in the provision of financial guarantee services in accordance with the applicable regulations. Our PRC Legal Advisers advised us that the Foshan Financial Bureau was the competent and appropriate regulatory authority of Success Guarantee on this matter. As confirmed by our Directors, the PRC Legal Advisers advised us that, pursuant to the Implementing Rules, the city-level financial bureaus are responsible for, among others, the examination and approval of matters relating to, and the routine supervision and management of, financial guarantee companies and their respective branches within their jurisdictions. Hence, as advised by our PRC Legal Advisers, as Foshan Financial Bureau, being the city-level financial bureau for Foshan City, is the regulatory authority of Success Guarantee, the risk of any higher authority revoking the Confirmation Letter issued by the Foshan Financial Bureau is minimal. Our Directors confirm that, since (i) all Advances have been completely settled as at 13 August 2012; and (ii) our PRC Legal Advisers are of the view that, based on the Confirmation Letter, our Group will not be subject to any administrative penalty from relevant regulatory authorities under the General Rules on Credit and the Interim Measures in relation to the Advances, no provision has been made in relation to such Advances in the financial statements of our Group for the Track Record Period.

Success Guarantee has obtained a more updated written confirmation letter from the Foshan Financial Bureau dated 5 July 2013 (“**Updated Confirmation**”), it explicitly confirmed that there has been no instance where Success Guarantee acted in breach of the national and local financial laws and regulations or the requirements of any regulatory documents. Further details relating to the issuance of the Updated Confirmation are set out below in the paragraph headed “Customers’ pledge deposits” in this section of the prospectus.

The Guangdong Financial Office issued a confirmation letter on 9 September 2013 confirming that (i) the city-level financial bureaus are responsible for, among others, the routine supervision and management of financial guarantee companies within their jurisdictions; (ii) confirmation letters relating to the daily business operation of Success Guarantee shall be issued by the Foshan Financial Bureau; and (iii) no penalty regarding non-compliance matters had been imposed by the Guangdong Financial Office on Success Guarantee since it obtained its business licence.

Latest status

As confirmed by our Directors, in June 2012, we were advised by our PRC Legal Advisers that we are prohibited from granting the Advances under the General Rules on Credit and the Interim Measures. Therefore, we ceased to provide such Advances from July 2012 and since then and up to the Latest Practicable Date, no Advance was provided by us in breach of the General Rules on Credit and the Interim Measures. All such non-interest bearing Advances had been settled as at 13 August 2012.

2. Related Guarantees

Events of and reasons for non-compliance

During the Track Record Period, Success Guarantee entered into two financial guarantee contracts in September 2011 and one financial guarantee contract in June 2012 with related companies of certain holders of 5% or more equity interest in Success Guarantee, which did not comply with Article 36 of the Implementing Rules (“**Related Guarantees**”).

BUSINESS

Pursuant to Article 36 of the Implementing Rules, a financial guarantee company is prohibited to provide financial guarantee for a holder of 5% or more equity interest in such company or for a related company of such equity holder.

The value of each of the loans in relation to the Related Guarantees was RMB18 million. The relevant guarantee fee for all of such loans, all being Foshan Trust Loans, was charged at the rate of 3.6% per annum of the guarantee amount, which was the rate charged on the financial guarantees we provided for all Foshan Trust Loans during the Track Record Period. The aggregate revenue recognised from such financial guarantees during each of the two years ended 31 December 2012 amounted to approximately RMB296,000 and RMB729,000 respectively, representing approximately 0.6% and 1.3% of our total revenue for the relevant year. Our guarantee obligations under each of the Related Guarantees were released in or before August 2012. As advised by our PRC Legal Advisers, the PRC laws and regulations do not specifically provide for the maximum potential penalty for such Related Guarantees.

The Relevant Directors and our risk control director (collectively, “**Relevant Officers**”), were involved in the authorisation, in accordance with the normal guarantee approval process of Success Guarantee, of the Related Guarantees. The Related Guarantees were authorised by the Relevant Officers principally due to a misunderstanding on their part on the application of the Implementing Rules.

As advised by our PRC Legal Advisers, “financial guarantees” under the Implementing Rules refer to agreements entered into between guarantors and creditors such as financial institutions in the banking industry, pursuant to which the guarantor agrees to fulfill its guarantee obligations where the principal debtor fails to discharge its financial liabilities owed to the creditor. The Related Guarantees were provided by Success Guarantee in relation to Foshan Trust Loans, which were granted by a trust fund, rather than banks as in the majority of our other guarantee arrangements during the Track Record Period. Given (i) the differences between the bank loans in our normal guarantee arrangements and the Foshan Trust Loans in that the Foshan Trust Loans were granted by a trust fund, instead of a bank; and (ii) that the cooperation agreement in relation to the provision of guarantee services for the Foshan Trust Loan was entered into by Success Guarantee in July 2011, under which the cooperative arrangement was relatively new to the Relevant Officers at the relevant time, the Relevant Officers misinterpreted the Implementing Rules and believed that such regulation did not apply to guarantees provided in relation to the Foshan Trust Loans, which were not loans granted by a “financial institution in the banking industry”. In view of the nature of the Foshan Trust Loans, which is different from the bank loans in our usual guarantee arrangements, we consider that the Related Guarantees were exceptional and isolated incidents of non-compliance among more than 200 guarantee contracts entered into by our Group during each of the two years ended 31 December 2012 respectively. Due to their misunderstanding on the application of the Implementing Rules, the Relevant Officers had not sought formal legal advice prior to authorising the Related Guarantees.

BUSINESS

Legal consequences and potential penalties and financial losses

Success Guarantee obtained a confirmation letter dated 22 January 2013 (“**Compliance Confirmation**”) from the Foshan Financial Bureau confirming that there has been no instances where Success Guarantee acted in breach of the national and local financial laws and regulations or the requirements of any regulatory documents and that it has not received any administrative penalty due to breaches of such laws and regulations or the requirements of any regulatory documents. Our PRC Legal Advisers advised us that the Foshan Financial Bureau was competent and appropriate regulatory authority of Success Guarantee on this matter. Our PRC Legal Advisers advised us that, pursuant to the Implementing Rules, the city-level financial bureaus are responsible for, among others, the examination and approval of matters relating to, and the routine supervision and management of, financial guarantee companies and their respective branches within their jurisdictions. Hence, as advised by our PRC Legal Advisers, as Foshan Financial Bureau, being the city-level financial bureau for Foshan City, is the regulatory authority of Success Guarantee, the risk of any higher authority revoking the Compliance Confirmation issued by the Foshan Financial Bureau is minimal. In respect of the Related Guarantees, the Joint Sponsors, together with our PRC Legal Advisers, initiated an interview (“**March Consultation**”) with the vice president of the Foshan Financial Bureau in March 2013, who, as advised by our PRC Legal Advisers, was a competent and appropriate representative of the bureau. During the March Consultation, the vice president expressed that the Foshan Financial Bureau had knowledge of the Related Guarantees at the time when they issued the Compliance Confirmation and taking into account that (i) all of the relevant financial guarantees had been released; (ii) the relevant guarantee fees were charged at a fair rate; and (iii) no issues arose in the course of execution of the relevant transactions, no administrative penalty will be imposed on Success Guarantee due to the Related Guarantees. Based on the March Consultation and the Compliance Confirmation, our PRC Legal Advisers advised us that Success Guarantee will not be subject to any administrative penalty from the relevant regulatory authorities in relation to the Related Guarantees. Our Directors confirm that, since (i) all of the Related Guarantees have been released as at 31 December 2012; and (ii) we will not be subject to any administrative penalty as a result of the Related Guarantees as advised by our PRC Legal Advisers, no provision has been made in relation to the Related Guarantees in the financial statements of our Group for the Track Record Period.

Success Guarantee has obtained the Updated Confirmation from the Foshan Financial Bureau on 5 July 2013, it explicitly confirmed that there has been no instance where Success Guarantee acted in breach of the national and local financial laws and regulations or the requirements of any regulatory documents. Further details relating to the issuance of the Updated Confirmation are set out below in the paragraph headed “Customers’ pledge deposits” in this section of the prospectus.

The Guangdong Financial Office issued a confirmation letter on 9 September 2013 confirming that (i) the city-level financial bureaux are responsible for, among others, the routine supervision and management of financial guarantee companies within their jurisdictions; (ii) confirmation letters relating to the daily business operation of Success Guarantee shall be issued by the Foshan Financial Bureau; and (iii) no penalty regarding non-compliance matters had been imposed by the Guangdong Financial Office on Success Guarantee since it obtained its business licence.

Latest status

Our guarantee obligations under each of the Related Guarantees were released in or before August 2012 and since then and up to the Latest Practicable Date, we did not enter into any Related Guarantee in breach of the Implementing Rules.

3. Customers’ pledged deposits

Events of and reasons for non-compliance

During the Track Record Period, our Group did not fully comply with Article 33 of the Implementing Rules and the Notice on Guarantee Deposits.

BUSINESS

As advised by our PRC Legal Advisers, pursuant to the Implementing Rules, financial guarantee companies established before the effective date of the Implementing Rules (i.e. 1 November 2010) were required to comply with the requirements therein by 31 March 2011. Accordingly, Success Guarantee, being a financial guarantee company established in 1996, was required to comply with the requirements under the Implementing Rules by 31 March 2011. The requirements under the Notice on Guarantee Deposits were required to be fulfilled by 30 September 2012. As advised by our PRC Legal Advisers, the outstanding customers' pledged deposits provided to us as at 31 March 2011, and those received afterwards, in respect of which no tripartite custody agreement has been entered into or which were not kept in a segregated bank account would be considered in breach of the Implementing Rules.

With a view to complying with the above requirements, starting from November 2010 (i.e. the effective date of the Implementing Rules), our Group had prepared discussion draft of the tripartite custody agreements and attempted to liaise with the lending banks and customers who provided customers' pledged deposits in an effort to enter into tripartite custody agreements with the lending banks and customers who provided customers' pledged deposits pursuant to the Implementing Rules, in order to have the banks agree to manage the customers' pledged deposits and agree to deposit the customers' pledged deposits received from customers into a segregated bank account maintained with each relevant banks. Despite our Group's effort since November 2010, most of the lending banks involved did not sign the custody agreements, so that in such cases the relevant custody agreements were signed only between our Group and the relevant customers who provided customers' pledged deposits and not signed by the lending banks.

Among the 16 guarantee transactions involving customers' pledged deposits with outstanding guarantee amount as at 31 December 2012, the parties in 2 transactions entered into tripartite custody agreements (between the lending banks, our Group and the relevant customers) and deposited such customers' pledged deposits received into a segregated bank account maintained with the relevant lending bank, whereas the parties in 14 transactions entered into two-party custody agreements (between our Group and the relevant customers) ("**Lack of Tripartite Agreement**") and the deposits received were not kept in a segregated bank account ("**Lack of Segregated Custodian Bank Account**").

As at 31 March 2011, the outstanding balance of customers' pledged deposits received by our Group which were not kept in a segregated bank account amounted to approximately RMB86.4 million. During the period from 31 March to 31 December 2011, such customers' pledged deposits received by our Group amounted to approximately RMB1.2 million and those released amounted to approximately RMB46.9 million. During the year ended 31 December 2012 and the five months ended 31 May 2013, the total customers' pledged deposits received by our Group which were not kept in a segregated bank account amounted to approximately RMB6.3 million and nil respectively. As at 31 December 2011 and 2012 and 31 May 2013, the total balance of customers' pledged deposits received by our Group which were not kept in a segregated bank account amounted to approximately RMB40.7 million, RMB11.0 million and RMB2.1 million respectively. As at 31 December 2011 and 2012 and 31 May 2013, (i) the corresponding guarantee amounts for such deposits were approximately RMB408.3 million, RMB84.9 million and RMB21.0 million respectively; and (ii) the corresponding guarantee fees for such deposits were approximately RMB22.1 million, RMB4.0 million and RMB1.3 million respectively. During the Track Record Period, such deposits were kept in our Group's bank account with the relevant lending bank, which was not a separate escrow bank account, and were not set aside from our Company's bank balance. All of such deposits were pledged in favour of Success Guarantee exclusively under the custody agreements entered into between our customers and Success Guarantee.

BUSINESS

Despite the Lack of Segregated Custodian Bank Account, during the Track Record Period, according to our internal guidelines, transactions through the bank accounts with customers' pledged deposits were monitored by our finance department, which maintained an internal ledger for the customers' pledged deposits and checked the balance of such bank accounts regularly to ensure that the bank balance did not fall below the total outstanding balance of customers' pledged deposits provided to our Group at the relevant time. There were no instances of any mis-appropriation of the customers' pledged deposits received by our Group from customers during the Track Record Period.

Success Guarantee had gradually reduced the number of guarantee transactions in respect of which customers' pledged deposits were received by us since 2011. During the period from 31 March 2011 to 15 April 2012 (i.e. the date on which the Notice on Guarantee Deposits was issued), we accepted customers' pledged deposits in respect of three guarantee transactions, and from 15 April 2012 to 31 August 2012, we accepted customers' pledged deposits in respect of two guarantee transactions ("**Acceptance of Deposits after the Notice**"), notwithstanding the Lack of Tripartite Agreement and the Lack of Segregate Custodian Bank Account, as the Relevant Officers considered that (i) pursuant to the custody agreements entered into between us and the respective customers and taking into account our internal monitoring measures regarding bank accounts with customers' pledged deposits set out above, such deposits would not be utilised for purposes other than as counter-guarantees and thus taking such deposits would not constitute substantive non-compliance with the applicable PRC laws and regulations; (ii) guarantees provided by us required such deposits as counter-guarantees based on our risk assessment on particular customers; (iii) it was common in Foshan City for banks not to cooperate with financial companies in signing tripartite custody agreements; and (for the Acceptance of Deposits after the Notice) (iv) the requirements under the Notice on Guarantee Deposits were required to be fulfilled by 30 September 2012.

Among such two guarantee transactions involved in the Acceptance of Deposits after the Notice, customers' pledged deposit in respect of one guarantee transaction was received by us in April 2012 before the adoption of our internal guidelines regarding customers' pledged deposits in May 2012, while customers' pledged deposit in respect of another one guarantee transaction was received in August 2012 despite the adoption of our internal guidelines regarding customers' pledged deposits in May 2012, which specifies the major requirements for receiving and dealing with customers' pledged deposits, including (among others) the entry into tripartite custodian agreement among lending bank, customer and our Group, and the deposit of the customers' pledged deposits into a segregate custodian bank account. In that instance, the customer's pledged deposit received from our customer previously in 2010 in respect of a guarantee transaction entered into between us and such customer in 2010 which was deposited into an account kept with a bank not being the relevant lending bank, was in effect transferred to an account kept with the relevant lending bank in August 2012, and a custody agreement between us and such customer was entered into in August 2012 in such regard. Having taken into account the factors (i) to (iv) set out above, the specific situation of the particular guarantee transaction, their risk assessment of the particular guarantee transaction, and having considered that the requirements under the Notice on Guarantee Deposits were only required to be fulfilled by 30 September 2012, we accepted customers' pledged deposit from that particular customer as an exceptional case despite the adoption of our internal guideline in May 2012. Since late August 2012, we ceased to accept any customers' pledged deposit in respect of our guarantee transactions to avoid further non-compliance so long as there exist a Lack of Tripartite Agreement or a Lack of Segregate Custodian Bank Account.

The Relevant Officers were involved in the authorisation, in accordance with the normal guarantee approval process of Success Guarantee, of the relevant guarantees.

BUSINESS

Legal consequences and potential penalties and financial losses

In respect of the Lack of Tripartite Agreement and the Lack of Segregated Custodian Bank Account, the Joint Sponsors, together with our PRC Legal Advisers, initiated an interview (“**May Consultation**”) with the vice president of the Foshan Financial Bureau in May 2013 who, as advised by our PRC Legal Advisers, was responsible for the regulation of guarantee companies in Foshan City. During the May Consultation, the Foshan Financial Bureau acknowledged that since the Implementing Rules were mainly for regulating and monitoring financial guarantee companies and not the banks, it was common in Foshan City for banks to refuse to cooperate with financial guarantee companies in signing of tripartite custody agreements regarding the customers’ pledged deposits. It was confirmed by the Foshan Financial Bureau that the Lack of Tripartite Agreement does not constitute substantive non-compliance with the relevant laws and regulations of the PRC by our Group, and no administrative penalty or punishment will be imposed on our Group.

Based on the May Consultation, our PRC Legal Advisers advised that the Lack of Tripartite Agreement and the Lack of Segregated Custodian Bank Account do not constitute substantive non-compliance with the relevant laws and regulations of the PRC by our Group, and no administrative penalty or punishment will be imposed on our Group by relevant regulatory authorities under the Implementing Rules and the Notice on Guarantee Deposits. As advised by our PRC Legal Advisers, both the Implementing Rules and the Notice on Guarantee Deposits do not specify or provide for potential penalties for the above non-compliance. Success Guarantee has obtained the Updated Confirmation from the Foshan Financial Bureau on 5 July 2013, it explicitly confirmed that there has been no instance where Success Guarantee acted in breach of the national and local financial laws and regulations or the requirements of any regulatory documents. During the two independent due diligence interviews the Joint Sponsors and our PRC Legal Advisers conducted with the vice president of the Foshan Financial Bureau, namely the March Consultation and the May Consultation, the vice president expressed that the Foshan Financial Bureau had acknowledged the incidents of the Related Guarantees, the Lack of Tripartite Agreement and the Lack of Segregated Custodian Bank Account in the respective interviews. In the confirmation letter dated 6 August 2012 issued by the Foshan Financial Bureau, it also indicated that it had knowledge of the Advances. As such, the Foshan Financial Bureau issued the Updated Confirmation on 5 July 2013 with acknowledgment of the non-compliance incidents set out above. Further, during the March Consultation and May Consultation, the vice president expressed that, among others, the confirmation letter it issued to Success Guarantee was an official document confirming that no penalty would be imposed on Success Guarantee based on its previous non-compliance incidents. As advised by our PRC Legal Advisers, taking into account the views of the vice president of the Foshan Financial Bureau expressed in the March Consultation and the May Consultation and the confirmation letter dated 6 August 2012 issued by the Foshan Financial Bureau relating to the Advances, the Updated Confirmation constituted a confirmation from the Foshan Financial Bureau that no administrative penalties would be imposed on Success Guarantee based on its previous non-compliance incidents, including the Advances, the Related Guarantees, the Lack of Tripartite Agreement and the Lack of Segregated Custodian Bank Account. On such basis, the Joint Sponsors do not consider that there is any inconsistency between the non-compliance incidents set out above and the Updated Confirmation.

The Guangdong Financial Office issued a confirmation letter on 9 September 2013 confirming that (i) the city-level financial bureaux are responsible for, among others, the routine supervision and management of financial guarantee companies within their jurisdictions; (ii) confirmation letters relating to the daily business operation of Success Guarantee shall be issued by the Foshan Financial Bureau; and (iii) no penalty regarding non-compliance matters had been imposed by the Guangdong Financial Office on Success Guarantee since it obtained its business licence.

BUSINESS

Latest status In order to eliminate any possible non-compliances with the requirements under the Notice of Guarantee Deposits in the future, Success Guarantee had voluntarily ceased the acceptance of customers' pledged deposit since late August 2012 to avoid further non-compliance therewith. As at 31 May 2013, the outstanding balance of customers' pledged deposits which are not kept in segregated custodian bank account and for which no tripartite custody agreement has been entered into is RMB2.1 million. Such balance have been fully released in July 2013 and since then and up to the Latest Practicable Date, we had no outstanding balance of such customers' pledged deposits or any customers' pledged deposit in respect of which no tripartite custody agreement has been entered into.

4. **Housing provident fund**

Events of and reasons for non-compliance During the Track Record Period, we did not fully comply with the housing provident fund contribution requirements.

Success Guarantee has completed registration with the relevant housing provident fund authority in November 2011 and made contributions to the housing provident funds for all our employees from November 2011 onwards. However, during the Track Record Period, from January 2010 to October 2011 ("**Unpaid Period**"), Success Guarantee did not made contributions to its employees' housing provident fund, as our employees considered that such payment might reduce their disposable income, and were therefore reluctant to make such contribution.

The person responsible for the above non-compliance is Zhang Jing (張靜), director of the human resources department.

Legal consequences and potential penalties and financial losses

In May 2013, our Group arranged for payment of the housing provident fund contributions for the Unpaid Period of approximately RMB317,000. Our Group also obtained a written confirmation dated 6 May 2013 from the Administration of Housing Provident Fund of Foshan City (佛山市住房公積金管理中心), the competent housing provident fund authority, which confirmed that Success Guarantee has made payment of housing provident fund contributions from January 2010 up to April 2013, and has not up to the date of such confirmation been pursued to make payment of housing provident fund nor sanctioned with administrative penalty or punishment by it.

Our Group further obtained another written confirmation dated 8 July 2013 from the Administration of Housing Provident Fund of Foshan City, which confirmed the same effect from January 2010 up to June 2013.

Accordingly, our PRC Legal Advisers opined that our Group has substantively complied with the relevant laws and regulations during the Track Record Period, and will not be subject to any administrative penalty or punishment for reason of its delay in housing provident fund registration during the Track Record Period.

Latest status Payment of the housing provident fund contributions for the Unpaid Period has been arranged in May 2013. Since November 2011, Success Guarantee has been making payment of housing provident fund contributions for its employees in compliance with the applicable PRC laws and regulations.

BUSINESS

Measures to prevent future breaches

Implementation status

- Success Guarantee to prepare a list of related parties to Success Guarantee and to regularly update and circulate such list to ensure compliance with the Implementing Rules and to ensure that our customers are independent from the related parties set out on such list. Pursuant to the Implementing Rules, a financial guarantee company is prohibited to provide financial guarantee for a holder of 5% or more equity interest in such company or for a related company of such equity holder (“**Guarantee Related Parties**”). The list of related parties shall contain all the names of the Guarantee Related Parties. The identity of our potential customers shall be checked against such list before entering into any financial guarantee transactions to reduce the risks of breaching the Implementing Rules. Implemented since April 2013
- An independent compliance department to be established to monitor the compliance matters of the daily operation and the decision-making process of our Group. The compliance department will comprise of members with experience in risk management with legal and/or financial knowledge. To ensure the effectiveness of our internal control measures, persons independent from our Group’s daily operation are to be appointed for overseeing the compliance matters. In view of the scale of our operation and the number of our staff, we had not established an independent compliance department during the Track Record Period, but we have appointed an independent compliance officer with effect from 2 May 2013 to monitor the compliance matters of our daily operation and the decision-making process of our Group. In September 2013, our independent compliance department was established to take up the duty of our independent compliance officer since then.

BUSINESS

Measures to prevent future breaches

Implementation status

- Success Guarantee to adopt a compliance checklist, covering compliance requirements of all laws and regulations to applicable our business (such checklist shall be regularly updated by our staff with relevant legal qualifications) and the independent compliance department to review every transaction of Success Guarantee according to such checklist, both during the guarantee approval process and the post-transaction monitoring process. The department will report to the audit committee of our Group within two days after discovering any non-compliance. The compliance checklist shall contain, among others, the identity of the potential customer, the fee rate and guarantee amount of the relevant transaction and the requirements of the Interim Measures and the Implementing Rules (such as whether the total outstanding balance of our guarantees exceeds the Aggregate Cap Amount, whether the guarantee amount of the individual transaction exceeds the Individual Cap Amount, whether the potential customer is a Guarantee Related Party, etc.). The use of the compliance checklist is to reduce the risks of our Group in breaching the applicable laws and regulations.
 - Our Group to formulate internal guidelines to provide internal guidance on the management of customers' pledged deposits.
- Compliance checklist adopted by our Group's independent compliance officer since May 2013 to review transactions of Success Guarantee. As confirmed by our independent compliance officer and our independent compliance department for the period before and after the establishment of such department respectively, from May 2013 to the Latest Practicable Date, no material non-compliance was identified during their reviews of transactions in the guarantee approval process and the post-transaction monitoring process of Success Guarantee.
- In March 2013, a supplemental internal guideline for providing clearer internal guidance to our employees on management of customers' pledged deposits was adopted by our Group to strictly enforce the requirements under our first set of internal guidelines adopted earlier in May 2012. Under the supplemental guideline, it was strictly required that where tripartite custody agreement cannot be entered into to ensure that the deposits received be kept in special custodian bank account and be managed by the relevant bank, no customers' pledged deposits shall be received by our Group.

BUSINESS

Measures to prevent future breaches

Implementation status

- Our Group to maintain a deposit management record for recording every deposit to be received for ease of management and supervision. A deposit management record for recording every deposit to be received has been maintained by our Group for ease of management and supervision since March 2013.
- Our legal advisers and our trained management personnel to provide relevant training to relevant staff. The training aims at reducing the risks for the management of our Group in breaching the applicable laws and regulations due to the lack of updated legal knowledge relating to our business. On-going
Our Directors and senior management attended the training seminar delivered by our PRC Legal Advisers in relation to the applicable laws and regulations on the guarantee business in the PRC on 18 March 2013, and our Group will further engage qualified legal professionals to arrange relevant courses to our staff and give relevant updates on such laws and regulations on a semi-annual to annual basis.
- Our Group to formulate internal guidelines to provide internal guideline on the management of housing provident fund matters. In October 2011, Success Guarantee adopted a guideline on housing provident fund management to provide guidance to our Group's management on, among others, registration, payment, deposit, withdrawal and use of housing provident funds.

As advised by our PRC Legal Advisers, after the Track Record Period and up to the Latest Practicable Date, our Group had no incident of material non-compliance with the applicable PRC laws and regulations.

To monitor the compliance matters of our daily operation and the decision making process of Success Guarantee, we established our independent compliance department in September 2013, which directly reports to our Audit Committee (or, prior to its establishment, the directors of Success Guarantee). Prior to the establishment of our independent compliance department, its duties were carried out by our independent compliance officer which we appointed in May 2013, who reported directly to the directors of Success Guarantee. According to our internal guidelines, our independent compliance department is (or, prior to its establishment, our independent compliance officer was) responsible for keeping track of changes in the applicable PRC laws and regulations on our business operation and changes in the related parties to Success Guarantee and constantly updating the compliance checklist and the list of related parties accordingly. According to our internal guidelines, our independent compliance department is (or, prior to its establishment, our independent compliance officer was) also responsible for (i) reviewing every proposed transaction of Success Guarantee with our compliance checklist and list of related parties before such transaction is submitted for further approval; (ii) rejecting any non-compliant proposed transaction and report to our Audit Committee (or, prior to its establishment, the directors of Success Guarantee) within two days after discovery of any non-compliant activities of Success Guarantee; (iii) proposing measures to the relevant department to rectify the non-compliant activities, supervise the implementation of such measures and report the rectification results to our Audit Committee (or, prior to its establishment, the directors of Success Guarantee); and (iv) conducting regular reviews quarterly on all on-going operational and financial activities of Success Guarantee for compliance matters. After our independent compliance department (or, prior to its establishment, our independent compliance officer) reports the non-compliant

BUSINESS

activities to our Audit Committee (or prior to its establishment, the directors of Success Guarantee), our Audit Committee (or prior to its establishment, the directors of Success Guarantee) will conduct review on the non-compliant activities, propose measures to rectify the non-compliance, and monitor the implementation of the rectifying measures. The frequency of meeting of the members of our Audit Committee (or prior to its establishment, the directors of Success Guarantee) for considering the effectiveness of the remedial measures implemented to rectify the non-compliance activities will depend on the number, nature, urgency and materiality of non-compliance activities, and the nature of the rectifying measures.

Our independent compliance department comprises two members, one of them joined our Group in September 2010 and had been the general manager of our risk control department from January 2012 to August 2013, who was then internally transferred to the independent compliance department as the head of our independent compliance department. She graduated from Guangdong Commerce Institution (廣東商學院) (now known as Guangdong University of Finance & Economics (廣東財經大學)) majoring in economic management in 2007, qualified as a financial planner in 2008 and has more than 10 years of experience in the banking industry, with over three years of experience in the guarantee industry further to her banking experience. The other member was our former independent compliance officer prior to the establishment of our independent compliance department who graduated with a bachelor's degree in laws from Guangdong Ocean University (廣東海洋大學) and was qualified as a registered lawyer in the PRC. She has approximately one year of work experience in the guarantee industry as a risk control officer.

Prior to the establishment of our independent compliance department, our independent compliance officer and our risk control department were responsible for ensuring the effectiveness of compliance checklist. Training had been provided to our risk control managers in relation to the laws and regulations in the compliance checklist and, in addition to our independent compliance officer, our risk control managers will review every proposed transaction with the compliance checklist according to our internal guidelines.

Our Group's legal and compliance work is led by Ms. Dai Jing, the senior vice general manager of Success Guarantee. She graduated with a bachelor's degree in laws from Wuhan University (武漢大學) in July 1993 and was qualified as a registered lawyer in the PRC in September 1995. In addition, Mr. Liang Tao, our chief financial officer, is responsible for our Group's compliance and internal control work in relation to financial matters. He obtained a bachelors' degree in business studies with a major in accountancy from Massey University in New Zealand in April 2010 and has five years experience in accounting. Ms. Dai Jing and Mr. Liang Tao are both responsible for the implementation of the above internal control measures and directly report to the Board. Taking into account the above measures, our Directors and the Joint Sponsors consider that our internal control procedures are adequate and effective under Rule 3A.15(5) of the Listing Rules as at the Latest Practicable Date.

Each of the Relevant Officers confirmed that he has not obtained any personal benefit directly or indirectly from the Advances and the Related Guarantees. Our Directors (including our independent non-executive Directors) have undertaken to procure us not to engage in or permit the engagement in the Advances and Related Guarantee arrangements in future. We have also taken a series of actions to address and rectify these issues, details of which are set out in the table above.

BUSINESS

Our Directors undertake that they will use their best endeavours to ensure the compliance of all relevant rules and regulations in the PRC, as well as the Listing Rules going forward.

Having considered the above together with the opinion of our PRC Legal Advisers and the past experience of our Directors, the Joint Sponsors are of the view that each of our Directors has the character, experience and integrity required for a Director under Rules 3.08 and 3.09 of the Listing Rules for the following reasons:

- (a) financial guarantee companies established before 8 March 2010 were given a year of transitional period to review their existing businesses and carry out necessary rectifications according to the Interim Measures. Success Guarantee has successfully obtained the Operating License for Financial Guarantee Institutions on 23 March 2011;
- (b) Success Guarantee obtained the Confirmation Letter and the Compliance Confirmation;
- (c) the Relevant Directors have not obtained any personal benefit from the Advances and the Related Guarantees;
- (d) as at the Latest Practicable Date, to the best of our knowledge and having made reasonable enquiry, there were no legal proceedings against each of the Relevant Directors in the PRC and Hong Kong;
- (e) the confirmation from our PRC Legal Advisers that our Group had not contravened any of the laws and regulations in the PRC in any material aspects in its operation, save as disclosed in this sub-section headed “Non-compliance”;
- (f) the Relevant Directors have substantial experience in the guarantee industry in the PRC;
- (g) the directors of Success Guarantee had taken appropriate steps and measures to comply with the requirements under the Interim Measures and the Implementing Rules in order to ensure the continuation of its business;
- (h) our Directors had taken preventive measures by setting up a compliance team comprising the necessary expertise to ensure the ongoing compliance of all relevant rules and regulations in the PRC; and
- (i) our Directors had gone through the training provided by the legal advisers of our Company as to Hong Kong laws on 3 September 2012 and 8 March 2013 (for certain Directors, corresponding training sessions were held on 12 September 2012, 13 September 2012, 12 March 2013 and 18 October 2013) to ensure their understanding as to their roles and responsibilities as required under the Listing Rules and as to the applicable laws and regulations in relation to our business in the PRC to ensure their understanding of application of such laws and regulations on our daily operation.

Having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section and our Group’s internal control measures to avoid recurrence of these non-compliances, our Directors and the Joint Sponsors are of the view that these past non-compliance incidents do not involve any dishonesty on the part of our Directors and Mr. Zhong Zhiqiang or impugn on their integrity or competence and do not affect their suitability to act as directors of a listed company under Rules 3.08, 3.09 and 8.15 of the Listing Rules and as our risk control director respectively and also did not affect our Company’s suitability for listing under Rule 8.04 of the Listing Rules.

BUSINESS

We have appointed RaffAello Capital Limited as our compliance adviser to assist us with compliance matters and issues in relation to the Listing Rules and seek external legal advice where appropriate and necessary on the compliance matters after Listing. We will also appoint legal advisers as to the laws of Hong Kong and the PRC, respectively, after the Listing to advise our Group on the laws and regulations of Hong Kong (in particular the requirements under the Listing Rules) and the PRC, respectively.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering (without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes), Mr. Zhang, Mr. Xu, Mr. Pang, Expert Depot, Bliss Success and Novel Heritage, holding in aggregate of 56.25% of the issued share capital of our Company, will be our Controlling Shareholders under the Listing Rules.

Independence from our Controlling Shareholders

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

(i) *Financial independence*

We are financially independent of our Controlling Shareholders and their associates. Save as disclosed in the section headed “Financial information — Balances with related parties — Joint development and sale and purchases of a commercial building” in this prospectus, all loans, advances and balance due to and from our Controlling Shareholders and their respective associates have been fully settled and that all guarantees provided by our Controlling Shareholders and their respective associates on our Group’s borrowing have been fully released. We do not expect to receive, nor will rely on, any future financial support from our Controlling Shareholders. In addition, we have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations.

(ii) *Operational independence*

We have established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their associates.

(iii) *Management independence*

Each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum.

Non-competition undertakings

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (other than any member of our Company) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Company from time to time (the “**Restricted Business**”). Such non-compete undertaking does not apply to:

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

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

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

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

CONNECTED TRANSACTIONS

OVERVIEW

Our Group has entered into certain connected transactions with our connected persons pursuant to Chapter 14A of the Listing Rules, which will continue after the Listing. A summary of these continuing connected transactions is set forth below:

Transaction Type	Applicable Listing Rules	Waiver
Trademark Licence Agreement in respect of Hong Kong trademarks	14A.33(3)(a)	None (<i>De minimis</i> transaction)
Trademark Licence Agreement in respect of a PRC trademark	14A.33(3)(a)	None (<i>De minimis</i> transaction)

Our Directors (including our independent non-executive Directors) and the Joint Sponsors have confirmed that the continuing connected transactions mentioned above were conducted on normal commercial terms and in the interests of our Company and Shareholders as a whole.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.33(3)(a) of the Listing Rules, the following transactions constitute *de minimis* continuing connected transaction for the reason being that each of the applicable percentage ratios is less than 0.1% on an annual basis. As a result, the following transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules.

Trademark Licence Agreements

Our Group has historically been licensed to use the trademarks of Success Holdings set out in the section headed "Further information about our business — Intellectual property rights" in Appendix IV to this prospectus (the "**Licensed Trademarks**") on an oral and royalty free basis. For the purposes of (i) maintaining the well-established business image of our Group deeply rooted in the PRC, in particular Foshan, by using the Licensed Trademarks; (ii) securing the long term rights of our Group to use the Licensed Trademarks; (iii) setting out in writing the rights and obligations of the trademark licencing arrangements between our Group and Success Holdings; and (iv) for better intellectual property rights protection, Success Holdings entered into the following two trademark licence agreements with our Company and Success Asset, respectively, which will constitute two separate continuing connected transactions pursuant to Chapter 14A of the Listing Rules:

- (i) on 18 October 2013, Success Holdings and our Company entered into a trademark licence agreement pursuant to which Success Holdings agreed to license three series of Hong Kong trademark (trademark numbers: 302379934, 302379943 and 302379952) to our Company with a term of five years commencing from 17 September 2012, the date on which trademark applications were made in Hong Kong, for a royalty of HK\$1, and an option to renew for another term of five years by giving written notice of six months before the expiry of the first term, for a royalty of HK\$1; and

CONNECTED TRANSACTIONS

- (ii) on 18 October 2013, Success Holdings and Success Asset entered into a trademark licence agreement pursuant to which Success Holdings licensed two PRC trademarks (trademark numbers: 6056953 and 8164452) to Success Asset with a term of three years commencing from the date of that agreement for a royalty of RMB1 and an option to renew for another term of three years by given written notice of six months before the expiry of the first term, for a royalty of RMB1 (together, the “**Trademark Licence Agreements**”).

As Success Holdings is using the Licensed Trademarks in the course of conducting its business, and for this reason the Licensed Trademarks will not be injected into our Group from Success Holdings. Pursuant to the Trademark Licence Agreements, Success Holdings cannot unilaterally terminate any of the agreements unless agreed by both parties in writing or the licensee commits a material breach of the agreement.

Since Success Holdings is wholly owned by three of our Directors and substantial shareholders of our Company, namely Mr. Zhang, Mr. Xu, and Mr. Pang, Success Holdings is therefore our connected person pursuant to Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Trademark Licence Agreements will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon the Listing.

Save as disclosed in this section, our Directors currently do not expect that immediately following the Listing, there will be any transactions which will constitute continuing connected transactions of our Company under the Listing Rules. On the basis of the above and given that there are no other transactions or agreements which would constitute connected transactions under the Listing Rules upon the Listing, we have not made any application for waiver from strict compliance with Chapter 14A of the Listing Rules.

We will comply with the relevant requirements under Chapter 14A of the Listing Rules for any connected transaction (as defined in the Listing Rules), if any, occurs on or after the Listing Date.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD OF DIRECTORS

Our Board of Directors consists of two executive Directors, three non-executive Directors and three independent non-executive Directors. The table below sets forth information of our Directors:

Name	Age	Position	Date of Appointment
Mr. ZHANG Tiewei (張鐵偉)	51	Chairman and executive Director	16 January 2012
Mr. LI Bin (李斌)	40	Executive Director and chief executive officer	18 October 2013
Mr. HE Darong (何達榮)	54	Non-executive Director	18 October 2013
Mr. XU Kaiying (徐凱英)	50	Non-executive Director	18 October 2013
Mr. PANG Haoquan (龐浩泉)	48	Non-executive Director	18 October 2013
Mr. TSANG Hung Kei (曾鴻基)	42	Independent non-executive Director	18 October 2013
Mr. AU Tien Chee Arthur (區天旂)	40	Independent non-executive Director	18 October 2013
Mr. XU Yan (許彥)	41	Independent non-executive Director	18 October 2013

Executive Directors

Mr. ZHANG Tiewei (張鐵偉), aged 51, is one of the founders of our Group. He was appointed as our Director on 16 January 2012 and redesignated as our chairman and executive Director on 18 October 2013. Mr. Zhang is responsible for our Group's strategic planning and overall business management.

Mr. Zhang has more than 15 years of experience in the financial industry in the PRC during which Mr. Zhang has been acting as (i) the director of Success Futures since 1997 which engages in commodity futures brokerages and financial futures brokerages; (ii) the chairman of Success Credit since its establishment in 2009 which engages in the provision of small loans lending; (iii) the director of Guangdong Success Insurance Brokers Company Limited (廣東集成保險經紀有限公司) since 2003 which engages in the provision of insurance brokerages; (iv) the chairman of Guangdong Success Venture Capital Company Limited (廣東集成創業投資有限公司) since 2008 which engages in venture capital; (v) the executive director of Success Holdings since its establishment in 2005 which engages in the investment in real estate, public utilities, medical and industrial project; and (vi) the chairman of Foshan Finance which engages in the investment in the modern financial industry, investment in the financial services industry, capital management, asset management, business in the sales of insurance products, etc. Mr. Zhang accumulated relevant business and financial experiences which are relevant to the business of our Group when acting as the director or chairman of the above named companies. Mr. Zhang has also been acting as the legal representative of Success Guarantee, our operating subsidiary, since its establishment in 1996, and has been its equity owner since February 2001.

Mr. Zhang is also a director of each of Double Chance, Success Finance and Success Asset, all being subsidiaries of our Company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Zhang is a member of the 11th Foshan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆佛山市委員會委員), the vice president of the 13rd executive committee of Foshan General Chamber of Commerce (佛山市工商業聯合會第十三屆執行委員會副主席), the standing committee member of the 11th executive committee of Guangdong Federation of Industry & Commerce (廣東省工商業聯合會(總商會)第十一屆執行委員會常務委員), and the chairman of the 1st council of Foshan Investment Chamber of Private Entrepreneurs (佛山市民營企業投資商會第一屆理事會會長). Mr. Zhang has been awarded as an Outstanding Corporate Manager in Guangdong Province in 2011 (2011年度廣東企業優秀管理人才) by the Guangdong Enterprises Confederation (廣東省企業聯合會) and the Guangdong Entrepreneurs Association (廣東省企業家協會). Mr. Zhang was also awarded a master degree of executive master of business administration after completing an EMBA Programme with Cheung Kong Graduate School of Business (長江商學院) in 2012.

Mr. LI Bin (李斌), aged 40, was appointed as our executive Director and the chief executive officer of our Group on 18 October 2013. Mr. Li joined our Group in 2006 as an assistant to the general manager of Success Guarantee and manager of the post-guarantee management department. He was promoted to general manager of Success Guarantee in 2009. Mr. Li is responsible for overseeing our Group's operations and internal management system.

Prior to joining our Group, Mr. Li had worked at the Foshan branch of Bank of China from 1993 to 2005 and was responsible for sales and marketing activities in the bank and specialising in the provision of loans and credits which are relevant to the business of our Group. His last position in the bank was assistant manager of the sales department. He was also appointed as the director to manage Foshan Success Credit Rating Company Limited (佛山市集成資信評估有限公司) on 25 July 2011, which engages in credit rating and assessment of corporations and individuals; credit risk management assessment; and credit data solicitation.

Mr. Li obtained a master of business administration degree from Jinan University (暨南大學) in Guangdong, the PRC in June 2007.

Non-executive Directors

Mr. HE Darong (何達榮), aged 54, was appointed as our non-executive Director on 18 October 2013. Mr. He invested in our Group as a shareholder of Success Guarantee in July 2010. Mr. He also owns 9.09% equity interests in Success Credit.

Mr. He is a director of Success Asset and Success Guarantee. Mr. He is currently the director of Foshan Tiefeng Industrial Investment Company Limited (佛山市鐵豐實業投資有限公司), Foshan Shunde Dafeng Enterprise Development Company Limited (佛山市順德區達豐企業發展有限公司), Foshan Shunde Shihai Industrial Investment Company Limited (佛山市順德區世海實業投資有限公司) and Foshan Lecong Real Estate Square Company Limited (佛山市樂從置業廣場有限公司). Mr. He obtained a certificate in education from Guangdong Zhongshan Normal School (廣東省中山師範學校) (now renamed as Zhong Shan Shi Shi Yan Gao Ji Zhong Xue (中山市實驗高級中學)) in November 1982.

Mr. He was a member of the 10th Shunde Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十屆順德市委員會委員) and is the vice president of The Steel and Iron Trade Association of Lecong Shunde District Foshan City (佛山市順德區樂從鋼鐵貿易協會副會長).

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. XU Kaiying (徐凱英), aged 50, was appointed as our non-executive Director on 18 October 2013. Mr. Xu invested in our Group as a shareholder of Success Guarantee in February 2001. Mr. Xu is the general manager of Foshan Success Industry Investment Company Limited (佛山市集成產業投資有限公司). Mr. Xu is also a director of Success Asset, Success Guarantee, Success Holdings and Success Credit.

Mr. Xu is a member of the 11th Foshan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆佛山市委員會委員), the chairman of Foshan Air-Conditioner Retail Industry Association (佛山市空調零售行業協會會長), the standing committee member of the 13th executive committee of Foshan General Chamber of Commerce (佛山市工商業聯合會(總商會)第十三屆執行委員會常務委員), and the executive chairman of Foshan Investment Chamber of Private Entrepreneurs (佛山市民營企業投資商會執行會長). Mr. Xu obtained a bachelor's degree in finance management from Beijing Economic and Technological College (北京經濟技術研修學院) in July 2008.

Mr. PANG Haoquan (龐浩泉), aged 48, was appointed as our non-executive Director on 18 October 2013. Mr. Pang invested in our Group as a shareholder of Success Guarantee in February 2001. Mr. Pang is also a director of each of Success Guarantee and Success Holdings.

Mr. Pang is also the chairman of Yinhe Motor and Foshan Jialashi Culture and Sports Communication Company Limited (佛山市嘉納仕文化體育傳播有限公司). Mr. Pang has obtained a diploma in automation from Guangzhou Open University (廣州市廣播電視大學) in July 1982.

Independent non-executive Directors

Mr. TSANG Hung Kei (曾鴻基先生), aged 42, was appointed as our independent non-executive Director on 18 October 2013. Mr. Tsang is a fellow member of The Association of Chartered Certified Accountants, an associate of The Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. Mr. Tsang has been working for Pak Fah Yeow International Limited (a company listed on the Main Board with stock code 239) as the chief financial officer since May 2005. Mr. Tsang worked for Mayer Holdings Limited (a company listed on the Main Board with stock code 1116) as the group financial controller from June 2004 to April 2005. Mr. Tsang also worked for Moores Rowland Mazars as an audit assistant and later as a manager in its assurance & business advisory department from August 1995 to May 2004. Mr. Tsang obtained his bachelor's degree in science from The University of Manchester (formerly known as The Victoria University of Manchester) in July 1994.

Mr. AU Tien Chee Arthur (區天旂), aged 40, was appointed as our independent non-executive Director on 18 October 2013. Mr. Au practiced as a patent attorney and registered foreign lawyer at Deacons in Hong Kong from November 2012 to July 2013. Before that, he was the intellectual property counsel from March 2009 to March 2012 at Thoratec Corporation, California, United States (a company listed on the NASDAQ with stock code THOR). Mr. Au was an attorney at Morgan, Lewis & Bockius LLP from August 2007 to February 2009 and at Blakely, Sokoloff, Taylor & Zafman LLP from August 2006 to July 2007. Mr. Au began his legal career at Blakely, Sokoloff, Taylor & Zafman LLP from November 2004 to July 2006 as a law clerk. Mr. Au obtained his bachelor of science in

DIRECTORS, SENIOR MANAGEMENT AND STAFF

engineering from Duke University in May 1995 and a master of science degree in biomedical engineering from Case Western Reserve University in January 1998. Mr. Au then completed the degree of juris doctor from Santa Clara University School of Law in May 2006 and was admitted as a member of the State Bar of California in December 2006.

Mr. XU Yan (許彥), aged 41, was appointed as our independent non-executive Director on 18 October 2013. Mr. Xu has over 18 years in the area of trade economy and banking. Mr Xu began his career with the Foreign Affairs Department of the State Economic & Trade Commission (the predecessor of the State-owned Assets Supervision and Administration Commission of the State Council) as a deputy director from July 1994 to August 2000. He then worked for Cazenove Asia Limited as a manager, vice president director and representative in chief of Beijing representative office from May 2002 to February 2009. In February 2009, Cazenove Asia Limited was taken over by the Standard Chartered Bank and renamed as Standard Chartered Securities (Hong Kong) Limited where Mr. Xu worked until he left in June 2012. Mr. Xu obtained a bachelor's degree in English from Beijing Foreign Studies University (北京外國語大學) in July 1994 and a master degree in business administration from the University of Manchester in June 2002.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or in other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed "Further information about our Directors and substantial Shareholders" in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management consists of our executive Directors and the following persons:

Name	Age	Position in our Group
Ms. DAI Jing (戴菁)	42	Senior vice general manager of Success Guarantee
Mr. LIANG Tao (梁濤)	30	Chief financial officer of our Group
Mr. YUAN Chen (袁晨)	33	Vice general manager of Success Guarantee
Mr. ZHONG Zhiqiang (鍾志强)	40	Risk control director of Success Guarantee
Mr. PANG Chung Fai Benny (彭中輝)	40	Company secretary

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. DAI Jing (戴菁), aged 42, is the senior vice general manager of Success Guarantee. She is responsible for overseeing the legal matters, human resources and post-guarantee management of our Group. Ms. Dai joined Success Holdings in August 2006 as manager of the legal department and subsequently became the vice general manager of Success Guarantee in January 2007. Prior to joining our Group, Ms. Dai worked at the Bank of China from 1993 to 2005 for handling credit approval, credit management and asset protection. Her last position with the Bank of China was assistant manager of the asset protection department. Ms. Dai also worked with the China Merchants Bank from 2005 to 2006 as a manager for handling bank management matters. Ms Dai was admitted as a lawyer in the PRC in September 1995. Ms. Dai obtained a bachelor's degree in law from Wuhan University (武漢大學) in Hubei, the PRC in July 1993.

Mr. LIANG Tao (梁濤), aged 30, was appointed as the chief financial officer of our Group on 18 October 2013 and is responsible in overseeing the financial matters of our Group. Mr. Liang joined our Group in December 2010. Prior to joining our Group, Mr. Liang had worked at L&L Energy, Inc. from 2009 to 2010 and United Group Rail (NZ) Limited from 2006 to 2008 and was responsible for handling accounting matters for both companies. Mr. Liang obtained a bachelor's degree in business studies with a major in accountancy from Massey University, in New Zealand in April 2010.

Mr. YUAN Chen (袁晨), aged 33, is the vice general manager of Success Guarantee. He is responsible in overseeing the overall operation for our branch office in Shunde District. Mr. Yuan joined our Group in March 2005 as a project manager and was promoted to manager of business department in February 2007. In June 2008, Mr. Yuan became the principal-in-charge of our branch office in Shunde District and was subsequently promoted as the vice general manager of Success Guarantee in July 2009. Mr. Yuan obtained a diploma in financial accounting from Yangzhou University (揚州大學) in Jiangsu, the PRC in July 2002. Mr. Yuan was awarded as an outstanding management personnel in guarantee business in Foshan City by Foshan Guarantee Association (佛山市信用擔保行業協會) for the year 2008 and 2009.

Mr. ZHONG Zhiqiang (鍾志強), aged 40, is the risk control director of Success Guarantee and is responsible in overseeing the risk management department of our Group. Mr. Zhong joined our Group in October 2009. Prior to joining of our Group, Mr. Zhong worked at the Bank of China from 1991 to 2009 for handling foreign exchange settlement, provision of loans and credits and sales and personal financing. His last position with the bank was assistant manager of the personal guarantee department. Mr. Zhong obtained a bachelor's degree in economics majoring in finance from Jinan University (暨南大學) in Guangdong, the PRC in January 2004.

Company secretary

Mr. PANG Chung Fai Benny (彭中輝), aged 40, was appointed as our company secretary on 18 October 2013. Mr. Pang is the managing partner of Pang & Co., a firm of solicitors in Hong Kong in association with Loeb & Loeb LLP. He was a partner of Salans Hong Kong, an international law firm, from March 2010 to May 2012. Between 1997 and 2009, Mr. Pang practised as a lawyer with several international law firms in Hong Kong and Sydney. Mr. Pang received his bachelor's degree in laws from Bond University in 1996. In 1997, Mr. Pang obtained his Graduate Diploma in Legal Practice and master degree in laws from The College of Law and The University of New South Wales, respectively. He was admitted as a legal practitioner of the Supreme Court of New South Wales in 1997 and as a solicitor of the High Court of Hong Kong in 2009. He is a member of both the Law Society of New South Wales and the Law Society of Hong Kong. Mr. Pang is currently (i) an

DIRECTORS, SENIOR MANAGEMENT AND STAFF

independent non-executive director of Yuanda China Holdings Limited, a company listed on the Main Board with stock code 2789; (ii) an independent non-executive director of China Bio-Med Regeneration Technology Limited, a company listed on the growth enterprise market of the Stock Exchange with stock code 8158; and (iii) an independent non-executive director of Goldenmars Technology Holdings Limited, a company listed on the growth enterprise market of the Stock Exchange with stock code 8036.

Audit committee

We established an audit committee on 18 October 2013 with written terms of reference in compliance with the Listing Rules. Our audit committee consists of Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan. Mr. Tsang Hung Kei is the chairman of the audit committee. The duties of our audit committee include (but without limitation) (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor; (b) monitoring integrity of our financial statements, our annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained therein; and (c) reviewing our financial controls, internal control and risk management systems.

Nomination committee

We established a nomination committee on 18 October 2013 with written terms of reference in compliance with the Listing Rules. Our nomination committee consists of Mr. Zhang, Mr. Xu Yan and Mr. Tsang Hung Kei. Mr. Zhang is the chairman of the nomination committee. The duties of our nomination committee include (but without limitation) to review the structure, size and composition of the Board on regular basis; (b) to identify and recommend suitable individuals to the board as Board members; (c) to assess the independence of our independent non-executive Directors; and (d) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

Remuneration committee

We established a remuneration committee on 18 October 2013 with written terms of reference in compliance with the Listing Rules. Our remuneration committee consists of Mr. Xu Yan, Mr. Zhang and Mr. Tsang Hung Kei. Mr. Xu Yan is the chairman of the remuneration committee. The duties of our remuneration committee include (but without limitation) (a) making recommendations to our Board on our policy and structure for all remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (b) determining the specific remuneration packages of all our executive Directors and senior management, including benefits in kind, pension rights and compensation payments; (c) making recommendations to our Board of the remuneration of our Directors; and (d) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As at the Latest Practicable Date, we had 51 full-time staff. The following sets forth the total number of our staff by responsibilities:

	Total number of staff
Management	5
Business operation	27
Risk control	4
Internal control	2
Finance	4
Administration	7
Compliance	<u>2</u>
Total	<u><u>51</u></u>

Relationships with our employees

Our Directors recognise our employees are among the most valuable assets of our Group and the success of our Group could be enhanced by maintaining a good relationship with our employees.

Since the establishment of our Group, we have not experienced any significant turnover of staff or any disruption to our business operations due to labour disputes. Our Directors consider that we have maintained a good relationship with our employees.

Compensation

Compensation of our employees primarily includes salaries, discretionary bonus, contributions to social insurance and retirement benefit scheme. Our Group incurred staff costs (including Directors' remuneration) of approximately RMB2.8 million, RMB3.2 million and RMB4.0 million, respectively for the three years ended 31 December 2012 and RMB2.3 million for the five months ended 31 May 2013.

The aggregate amount of remuneration paid by us to our Directors, including salaries, contributions to retirement benefit plans and discretionary bonuses, was approximately RMB291,000, RMB318,000 and RMB238,000, respectively for the three years ended 31 December 2012 and RMB154,000 for the five months ended 31 May 2013.

The aggregate amount of remuneration paid by us to the five highest paid individuals, including salaries, contributions to retirement benefit plans and discretionary bonuses, was approximately RMB646,000, RMB790,000 and RMB949,000, respectively for the three years ended 31 December 2012 and RMB571,000 for the five months ended 31 May 2013.

Benefit schemes

In the PRC, in accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay, in respect of our employees in the PRC, various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, hospital insurance and insurance for maternity leave.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The contributions we paid were approximately RMB135,000, RMB166,000 and RMB212,000, respectively for the three years ended 31 December 2012 and RMB75,000 for the five months ended 31 May 2013.

We are also required by the relevant PRC regulations to register with the local housing provident fund management centre and make contributions to the housing provident funds for our employees. Save as disclosed in the section headed “Business — Non-compliance” in this prospectus, we have fully complied with the monthly social insurance and housing provident fund requirements during the Track Record Period.

Save as disclosed, during the Track Record Period, our Group has complied with all applicable laws and jurisdiction in relation to the social security and retirement contribution in the jurisdictions where we operate.

Share Option Schemes

Our Group has conditionally adopted the Share Option Schemes whereby selected classes of participants (for details please refer to Appendix IV to this prospectus) have been or may be granted options to subscribe for Shares at the discretion of the Board. The principal terms of the Share Option Schemes are set out in the sections headed “Pre-IPO Share Option Scheme” and “Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

PRC labour contract law

The Labour Contract Law of the PRC (“**Labour Contract Law**”), which took effect on 1 January 2008, stipulates certain requirements in relation to, among others things, the signing of labour contracts between enterprises and employees, dissolving labour contracts, the payment of remuneration and compensation as well as the employee social security. In addition, the Labour Contract Law requires employers to provide remuneration packages which are not lower than the respective local minimum standards.

Our Directors consider that the implementation of the Labour Contract Law has not given rise to any material and adverse impact on the operations and businesses of our Group as the remuneration package we offered to our staff is in general higher than the respective minimum standards prescribed by the local authorities and the terms of the labour contracts we entered into with our employees are on terms no less than those prescribed by the Labour Contract Law.

Our Directors confirm that we had complied with all relevant requirements in relation to human resources management under the Labour Contract Law during the Track Record Period.

Compliance adviser

We have appointed RaffAello Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and shares repurchases;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Potential competing business

The permitted scope of business of our associate, Success Credit, includes small loans lending business and provision of financial consultancy services to SMEs and micro-enterprises, which on its face may overlap with one aspect of Success Guarantee's scope of business, namely provision of guarantee related financial consultancy and advisory services.

However, pursuant to the revenue generated by Success Credit for the period from 18 December 2012, the date which our Group acquired Success Credit, to 31 December 2012 and for the five months ended 31 May 2013, the entire revenue of RMB2.3 million and RMB24.5 million were derived from the revenue of interest from small loans as Success Credit has not carried out any financial consultancy business since its establishment. Further, Success Credit is focusing in providing small loans to its customers directly and is limited to lend not more than RMB5 million to each borrower under the Trial Measures for Management of Small Loan Credit Companies of Guangdong Province (廣東省小額貸款公司管理辦法(試行)), which results in very different target customers from those of our Group. In addition, Success Credit is restricted to provide its services within Chancheng District, Foshan City, Guangdong Province, the PRC, whilst Success Guarantee is allowed to carry out business throughout the Guangdong Province.

Taking into account the above mentioned reasons, our Directors and the Joint Sponsors are of the view that despite there may be potential competition between Success Credit and our Group for the overlapping business scopes, Success Credit is not competing or expected to compete with our Group's financial consultancy business. Our Directors further confirm that our Group currently has no plan to expand into lending business other than through Success Credit.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes), as at the Latest Practicable Date, the following persons were expected to have interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name	Long/Short Position	Type of interest	Number of Shares	Approximate percentage of interest in our Company
Mr. Zhang	Long	Interest in a controlled corporation	114,750,000	28.69%
Expert Depot ⁽¹⁾	Long	Beneficial interest	114,750,000	28.69%
Mr. He	Long	Interest in a controlled corporation	60,000,000	15.00%
New Maestro ⁽²⁾	Long	Beneficial interest	60,000,000	15.00%
Mr. Xu	Long	Interest in a controlled corporation	56,250,000	14.06%
Bliss Success ⁽³⁾	Long	Beneficial interest	56,250,000	14.06%
Mr. Pang	Long	Interest in a controlled corporation	54,000,000	13.50%
Novel Heritage ⁽⁴⁾	Long	Beneficial interest	54,000,000	13.50%

Notes:

1. Expert Depot is a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang, our chairman and executive Director.
2. New Maestro is a company incorporated in the BVI whose entire issued share capital is held by Mr. He, our non-executive Director.
3. Bliss Success is a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu, our non-executive Director.
4. Novel Heritage is a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang, our non-executive Director.

Save as disclosed herein, we are not aware of any other person who will, immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes), have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any of our subsidiaries. We are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately following completion of the Capitalisation Issue and Global Offering (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes):

		<i>Nominal value</i>
		<i>HK\$</i>
Authorised share capital		
<u>800,000,000</u>	Shares	<u>8,000,000</u>
Share in issue		<i>HK\$</i>
<u>10,000</u>	Shares in issue	<u>100</u>
Share to be issued		
299,990,000	Shares to be issued under the Capitalisation Issue	2,999,900
<u>100,000,000</u>	Shares to be issued under the Global Offering	<u>1,000,000</u>
Total issued shares capital on completion of the Global Offering		
<u>400,000,000</u>	Shares	<u>4,000,000</u>

Assumptions

The above table assumes that the Global Offering becomes unconditional and the issuance of Shares pursuant to the Global Offering. It does not take into account (a) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option; and (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below.

If the Over-allotment Option is exercised in full, then 15,000,000 additional Shares will be issued, resulting in a total enlarged issued share capital of HK\$4,150,000 divided into 415,000,000 Shares.

Ranking

The Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned herein, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

SHARE CAPITAL

- (b) the aggregate nominal amount of the share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles of Association, or under the Global Offering do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed "Further information about our Company — Written resolutions of all the Shareholders passed on 18 October 2013" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The mandate only relates to repurchases made on the Stock Exchange, or any other exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "Further information about our Company — Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed "Further information about our Company — Written resolutions of all the Shareholders passed on 18 October 2013" in Appendix IV to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations are based on and should be read in conjunction with our financial information for each of the three years ended 31 December 2012 and the five months ended 31 May 2013, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our financial information has been prepared in accordance with the HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed and elsewhere in this prospectus, particularly in sections headed "Risk factors", and "Forward looking statements".

OVERVIEW

Our Group is principally engaged in the provision of financial and non-financial guarantees and financial consultancy services to enterprises, mainly SMEs, in the PRC.

Our Group's revenue for the three years ended 31 December 2012 and the five months ended 31 May 2013 were approximately RMB35.1 million, RMB53.5 million, RMB57.1 million and RMB22.1 million respectively. Our Group's net profits attributable to the equity shareholders of our Company for the three years ended 31 December 2012 and the five months ended 31 May 2013 were approximately RMB25.8 million, RMB34.5 million, RMB47.7 million and RMB9.6 million respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 January 2012. In anticipation of the Listing, we underwent the Reorganisation, pursuant to which our Company became the holding company of the companies now comprising our Group.

Upon the acquisition of Success Guarantee by Success Asset on 17 September 2012, our Company became the ultimate holding company of our Group; and Double Chance, Success Finance and Success Asset became the intermediate holding companies of Success Guarantee, our Group's sole operating company. All of our Company's direct and indirect subsidiaries are wholly-owned except for Success Asset, which is owned as to 99% by Success Finance and 1% by Shunde Zhongcheng following the subscription of 1% of equity interest in Success Asset.

As our Company and its direct and indirect subsidiaries, excluding Success Guarantee, are either newly incorporated or dormant companies that had no substantive operations prior to the Reorganisation, and the Reorganisation was undertaken for the sole purpose of effecting our Group's restructuring and the listing of our Group's financial guarantees and consultancy business, which was conducted solely through Success Guarantee during the Track Record Period, no business combination has occurred. Success Guarantee was owned by its then existing shareholders in the same proportionate share of ownerships before and after the Reorganisation and there were no changes in

FINANCIAL INFORMATION

the economic substance of the ownership and the business of Success Guarantee. The Reorganisation only involved inserting the companies with no substantive operations as new holding companies of Success Guarantee. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in HKFRS 3, Business combinations, with Success Guarantee treated as the acquirer for accounting purposes. The financial information has been prepared and presented as a continuation of the financial statements of Success Guarantee with the assets and liabilities of Success Guarantee recognised and measured at their historical carrying amounts prior to the Reorganisation. All material intra-group transactions and balances have been eliminated on consolidation. Our consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income and the consolidated cash flow statements for each of the three years ended 31 December 2012 and the five months ended 31 May 2013 and consolidated statements of financial position as at 31 December 2010, 2011 and 2012 and 31 May 2013 have been prepared in accordance with the accounting policies in compliance with the HKFRSs.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond our control.

Source of funding

The size of our Group's financial guarantee business is restricted by our Group's registered and paid-up capital. As at the Latest Practicable Date, the registered and paid-up capital of our Group's major operating subsidiary, namely Success Guarantee, amounted to RMB250.0 million. In accordance with the Interim Measures, the maximum guarantee amount for financial guarantees which Success Guarantee can usually provide to borrowers are 10 times of its net asset value and the outstanding guarantee amount of our Group for a single customer or a group of related single customers shall not be more than 10% and 15% respectively, of the net asset value of Success Guarantee.

The size of our Group's non-financial guarantee services and financial consultancy businesses is not subject to any regulatory threshold. However, our Group's business and operation are restricted by the size of our Group's internal funding and financial resources, because our Directors believe that financial guarantee companies in the PRC are generally not relying on external bank borrowings. The size of registered capital or paid-up capital or the net asset value of our Group's operating subsidiaries and the source of funding is likely to have a significant impact on our Group's scale of operation.

Expansion of operation

The scale of operation of our Group's financial guarantee services is determined substantially by the size of registered and paid-up capital or the net asset value of Success Guarantee, subject to the terms of the cooperation agreements entered into between our Group and the banks and/or financial institutions. In addition to increasing the size of our Group's registered and paid-up capital of Success Guarantee, our Directors believe that our Group can diversify into other service scope, such as different types of non-financial guarantee and financial consultancy services in order to maximize the return to the Shareholders.

Our Group's expansion of operations will provide itself with greater business opportunities and have a significant impact on our Group's results of operations.

FINANCIAL INFORMATION

Economic environment

The focus of our Group's operation is mainly on SMEs in the PRC. Any change in the global or regional economy, including PBOC interest rates and monetary policies of the PRC, is likely to have an impact on the need of funding from our Group's customers and their operating condition.

Default risk of our Group's customers

Our Group collaborates with various finance providers to assist mainly SMEs in obtaining loans from finance providers by guaranteeing the repayment of such loans. In the case of banks and/or financial institutions, we are required to provide cash deposits as guarantees in respect of these loans, from which the bank may recover default loan payments by our customers. If our customers default on a loan before our Group's guarantee is discharged, we would have to pay to the bank or financial institution in question the entire outstanding principal amount of the loan, together with all accrued interest thereon, owing by our customers to the bank under our guarantee with such bank or financial institution. Such liabilities are to be paid by us using funds recovered from liquidating relevant customers' collaterals provide to us or from funds obtained from guarantors under counter-guarantee provided to us, and if necessary, out of our working capital. It is possible that collaterals provided by our customer cannot be liquidated, or cannot be liquidated in time, or cannot be liquidated at prices that are equal to or above the amount of our liability to the bank concerned or the relevant guarantor may fail to perform his/her obligations under the counter-guarantee provided to us. Under such circumstances, our Group's financial condition and results of operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the carrying amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following sets out certain accounting policies for our financial position and results of operations:

Equipment

Items of equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

FINANCIAL INFORMATION

Depreciation is calculated to write off the cost of items of equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful life
Motor vehicles	4-5 years
Office and other equipment	3-5 years

Where parts of an item of equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where our Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within liabilities from guarantees. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with our Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon our Group under the guarantee, and (ii) the amount of that claim on our Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Provisions and contingent liabilities

Provision are recognised for other liabilities of uncertain timing or amount when our Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

FINANCIAL INFORMATION

Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Guarantee fee income*

The amount of the guarantee is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income and is amortised in profit or loss over the term of the guarantee as guarantee fee income.

(ii) *Rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the services performed to date as a percentage of the total services to be performed.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that it is probable be recoverable.

(iii) *Dividends*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

FINANCIAL INFORMATION

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(v) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vi) *Government grants*

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as revenue in profit and loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in the consolidated statements of profit or loss over the useful life of the asset by way of reduced depreciation expense.

Employee benefits

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, our Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. Our Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are capitalised as part of the cost of assets or charged to profit or loss on an accrual basis.

Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

FINANCIAL INFORMATION

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying our Group's accounting policies, the key sources of estimation uncertainty are as follows:

Provision of financial guarantee losses

Our Group makes reasonable estimate on expense required to fulfil the relevant obligation of financial guarantee contracts when our Group computes the provisions of financial guarantee losses. Such estimation is made based on the available information as at the end of each reporting period and is determined by our Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the financial guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment of trade and other receivables

Trade and other receivables that are measured at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of our Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed or additional impairment charge is required.

Deferred tax assets

Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS LINE ITEMS

Revenue

Our Group's revenue is mainly derived from our Group's financial guarantee, non-financial guarantee

FINANCIAL INFORMATION

and financial consultancy services. The following table sets out our Group's revenue breakdown by category during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2010		2011		2012		2012		2013	
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000
Guarantee income										
Financial guarantees	34,352	97.9	40,616	75.9	45,137	79.0	19,164	86.8	18,714	84.8
Litigation guarantees	298	0.8	1,528	2.8	405	0.7	130	0.6	259	1.2
Performance guarantees	461	1.3	378	0.7	602	1.1	228	1.0	267	1.2
	35,111	100.0	42,522	79.4	46,144	80.8	19,522	88.4	19,240	87.2
Financial consultancy services	—	—	11,006	20.6	10,994	19.2	2,548	11.6	2,831	12.8
Total	<u>35,111</u>	<u>100.0</u>	<u>53,528</u>	<u>100.0</u>	<u>57,138</u>	<u>100.0</u>	<u>22,070</u>	<u>100.0</u>	<u>22,071</u>	<u>100.0</u>

Revenue for financial guarantee contracts is recognised throughout the guarantee period which generally ranges from six months to three years. Depending on the amount of financial guarantee obligation to the banks and/or financial institutions, level of government subsidy and the duration of the financial guarantee period provided, our Group generally charges such SMEs a rate of 0.5% to 7.5% of the total guarantee amount as financial guarantee fee.

Depending on the nature of such non-financial guarantees, the amount of guarantee obligation and counter-guarantee condition, our Group generally charges a rate of 0.5% to 3.5% of the total guarantee amount as non-financial guarantee fee. Our Group's customers requesting for litigation or performance guarantees were generally occasional and standalone in nature.

Our Group's scope of financial consultancy services generally includes the proposal of different methods of financing to our customers according to their needs and circumstances and assisting them to apply for financing from banks and/or other financial institutions.

Our Group adopts the percentage of completion method for revenue recognition of service income relating to financial consultancy services based on the services performed to date as a percentage of the total services to be provided. During the term of the financial consultancy service agreement and within the service scope prescribed in such agreement, our Group provides financial consultancy services by a variety of acts, such as investigation, analysis, search of financing channels, designation of financing programme etc.. The financial consultancy services are performed by an indeterminate number of acts over the contract period. Therefore, in accordance with HKFRS 18.25, financial consultancy service income is recognised in profit or loss on a straight-line basis over the contract period for practical purposes. The management of our Group considers that there is no other method that can better represent the stage of completion.

FINANCIAL INFORMATION

During the Track Record Period, our Group's customers were engaged in a wide range of businesses in the PRC. Save for the more obvious sales dip experienced by our Group during and around the Chinese New Year's long holidays as SMEs usually reduce their operation during such period of time, our Group's revenue shall not be subject to any seasonal effect of a particular industry. Our Group's customer base is diversified and no single client with whom the aggregate transaction amount have exceeded 10% of our Group's revenue.

Other revenue

Other revenue mainly comprise (i) government grants from several government authorities for our Group's provision of financial guarantee services to SMEs, of which the entitlements were granted under the discretion of the relevant government authorities depending on the aggregate guarantee amount provided to SMEs and the related guarantee fee rate; (ii) interest income from bank deposits; and (iii) dividend income from unlisted securities. For the year ended 31 December 2010, other revenue also included rental income from investment property. For the year ended 31 December 2012, other revenue also included investment income. The following table sets out our Group's other revenue breakdown by category during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Government grants	4,140	8,243	10,615	5,653	339
Interest income from bank deposits	1,853	1,145	2,501	1,721	2,284
Dividend income from unlisted securities	50	105	—	—	—
Investment income	—	—	2,888	—	—
Rental income from investment property	990	—	—	—	—
Others	<u>1</u>	<u>227</u>	<u>168</u>	<u>—</u>	<u>89</u>
Total	<u>7,034</u>	<u>9,720</u>	<u>16,172</u>	<u>7,374</u>	<u>2,712</u>

Impairment and provision (charged)/ written back

Impairment and provisions mainly represent impairment and provision for guarantees losses, and provision for trade and other receivables where the customers or other parties are likely in financial difficulties and their recoverability is considered to be remote. In the event of any impairment and provision made in the previous years but subsequently recovered, impairment and provision previously made would be written back in the year in which the relevant amount is recovered.

Share of profits of associates

Interest in associates represent the 18.18% and 40% equity interests in Success Credit and Foshan Success Credit Rating Co., Ltd. held by our Group respectively. Success Credit has principally been engaging in the provision of small credit financing to SMEs and/or individuals, which was acquired

FINANCIAL INFORMATION

by our Group in December 2012. Foshan Success Credit Rating Co., Ltd. has been dormant and has no business activities during the Track Record Period. Such company was jointly set up by our Group with related parties in August 2011 and was subsequently disposed of to a related party in December 2011.

Share of profits/(losses) of a joint venture

Interests in a joint venture represent the 51.0% equity interest in Success Futures held by our Group. The business of Success Futures did not form a significant part of our Group's operation during the Track Record Period and had been disposed of by us in 2012 with a net gain on disposal of approximately RMB2.4 million. The principal business of Success Futures was future brokerage.

Operating expenses

Operating expenses mainly comprise staff costs, traveling and entertainment expenses, depreciation charges, professional and consultancy fees, office supplies and expenses, rental charges, auditors' remuneration, advertising expenses, business and other taxes and exchange losses. The following table sets forth the components of our Group's operating expenses for the three years ended 31 December 2012 and the five months ended 31 May 2012 and 2013:

	For the year ended 31 December						For the five months ended 31 May			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Staff costs	2,794	27.3	3,203	22.2	3,968	23.5	1,768	23.4	2,285	16.0
Traveling and entertainment expenses	2,831	27.6	2,368	16.4	2,163	12.8	659	8.7	767	5.4
Depreciation charges	1,227	12.0	578	4.0	513	3.0	298	4.0	129	0.9
Professional and consultancy fees	264	2.6	4,761	33.0	5,321	31.4	3,070	40.6	9,317	65.2
Office supplies and expenses	776	7.6	1,283	8.9	1,128	6.7	260	3.5	442	3.1
Rental expenses	534	5.2	578	4.0	635	3.8	253	3.3	345	2.4
Auditors' remuneration	64	0.6	69	0.4	167	1.0	129	1.7	157	1.1
Net loss on disposal of fixed assets	208	2.0	2	—	9	0.1	—	—	—	—
Advertising expenses	135	1.3	486	3.4	872	5.2	455	6.0	172	1.2
Exchange losses	—	—	—	—	681	4.0	7	0.1	—	—
Business and other taxes	722	7.0	736	5.1	936	5.5	175	2.3	545	3.8
Others	695	6.8	377	2.6	513	3.0	482	6.4	139	0.9
Total	10,250	100.0	14,441	100.0	16,906	100.0	7,556	100.0	14,298	100.0

Included in the professional and consultancy fee above, there was an aggregate amount of management fee of RMB3.0 million paid to a related party, namely Foshan Finance, for the period from 1 June 2011 to 31 March 2012 at a monthly fee of RMB300,000. The management fee was paid for the consultancy services provided by Foshan Finance for streamlining the business operation of our Group, including but not limited to, those provided during the course of Re-organisation, which was not recurring after

FINANCIAL INFORMATION

the said period and did not involve in sharing of resources between our Group and Foshan Finance; while such management arrangement had ceased after 31 March 2012 and will not continue after the Listing.

Income tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong, as it has not derived any income subject to Hong Kong Profits Tax during the Track Record Period.

According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, our Group’s PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of our Group’s dividend policy, management considered that for the purpose of business development, the undistributed earnings of Success Guarantee amounted to approximately RMB63.0 million as at 31 May 2013 will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

RESULTS OF OPERATIONS

The following table sets forth our Group’s consolidated results of operations for the three years ended 31 December 2012 and the five months ended 31 May 2012 and 2013.

Consolidated Statements of Profit or Loss

	For the year ended			For the five	
	31 December			months ended	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Revenue	35,111	53,528	57,138	22,070	22,071
Other revenue	<u>7,034</u>	<u>9,720</u>	<u>16,172</u>	<u>7,374</u>	<u>2,712</u>
	42,145	63,248	73,310	29,444	24,783
Impairment provision (charged)/ written back	1,528	(2,993)	3,147	665	(343)
Operating expenses	<u>(10,250)</u>	<u>(14,441)</u>	<u>(16,906)</u>	<u>(7,556)</u>	<u>(14,298)</u>
	(8,722)	(17,434)	(13,759)	(6,891)	(14,641)

FINANCIAL INFORMATION

	For the year ended 31 December			For the five months ended 31 May	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Profit from operations	33,423	45,814	59,551	22,553	10,142
Share of profits of associates	—	—	132	—	2,957
Share of profits/(losses) of a joint venture	1,850	619	(345)	(287)	—
Net gain from disposal of a joint venture	—	—	2,379	—	—
	<u>35,273</u>	<u>46,433</u>	<u>61,717</u>	<u>22,266</u>	<u>13,099</u>
Profit before taxation	35,273	46,433	61,717	22,266	13,099
Income tax	(9,500)	(11,928)	(14,062)	(3,889)	(3,420)
	<u>25,773</u>	<u>34,505</u>	<u>47,655</u>	<u>18,377</u>	<u>9,679</u>
Profit for the year/period	<u>25,773</u>	<u>34,505</u>	<u>47,655</u>	<u>18,377</u>	<u>9,679</u>

Year ended 31 December 2011 compared with year ended 31 December 2010

Revenue

Revenue increased by approximately 52.4% from approximately RMB35.1 million for the year ended 31 December 2010 to approximately RMB53.5 million for the year ended 31 December 2011. Such increase was mainly contributed by the combined effect of the following reasons:

Financial guarantees

Revenue generated from financial guarantees increased by approximately 18.4% from approximately RMB34.3 million for the year ended 31 December 2010 to approximately RMB40.6 million for the year ended 31 December 2011. Such increase was mainly due to (i) the general increasing trends of both the number of financial guarantee contracts entered into during the year and the guarantee amount during the Track Record Period and the increase in the guarantee amount remained outstanding in 2011 as a result of the increase in registered and paid-up capital of Success Guarantee by RMB50.0 million to RMB250.0 million so as to attract more referrals of financial guarantee business opportunities by banks and/or other financial institutions; (ii) that deferred financial guarantee income attributable to some guarantee contracts lasted for a longer period entered into in the previous years was recognised in 2011; and (iii) contribution from the financial guarantee services in respect of loans from the Foshan SME Trust Fund and those government cooperative programmes for SME development during the year ended 31 December 2011. Revenue for financial guarantee contracts is recognised throughout the guarantee period which generally ranges from six months to three years. Depending on the amount of financial guarantee obligations to the banks and/or financial institutions, level of government subsidy and the duration of the financial guarantee period provided, our Group generally charges such SMEs a rate of 0.5% to 7.5% of the total guarantee amount as financial guarantee fee.

FINANCIAL INFORMATION

Non-financial guarantees

Revenue generated from non-financial guarantees, comprising litigation guarantees and performance guarantees, increased from approximately RMB0.8 million for the year ended 31 December 2010 to approximately RMB1.9 million for the year ended 31 December 2011. The increase in non-financial guarantee fee was mainly attributable to the increase in the guarantee obligation amount during the year and remained outstanding in 2011. During the two years ended 31 December 2011, our Group's customers requesting for litigation or performance guarantees were generally occasional and standalone in nature, so the absolute revenue amount involved merely accounted for approximately 2.1% and 3.5% of our Group's total revenue respectively, and therefore had not materially changed.

Financial consultancy services

Our Group has expanded the business scope and commenced provision of financial consultancy services to customers in 2011 and recorded revenue of approximately RMB11.0 million for the year ended 31 December 2011. Our scope of financial consultancy services generally includes the proposal of different methods of financing to our customers according to their needs and circumstances and assisting them to apply for financing from banks and/or other financial institutions.

Other revenue

Other revenue increased by approximately 38.6% from approximately RMB7.0 million to approximately RMB9.7 million, which was mainly contributed by the increase in government grants by approximately RMB4.1 million during the year, but partially off-set by the decrease in interest income from bank deposits by approximately RMB0.7 million. Our Group disposed of an investment property in 2010, so the rental income derived from the investment property of approximately RMB1.0 million for the year ended 31 December 2010 was no longer receivable in 2011.

Our Group was granted more government grants of approximately RMB4.1 million during the year ended 31 December 2011 mainly due to the PRC government's general policy to increase support for SMEs, which we were benefited as Success Guarantee has been a financial service provider for SMEs in Foshan City. The entitlements of government grants were under the discretion of the relevant government bureaux. The amounts of government grants were generally determined with reference to the average outstanding financial guarantee amount provided by Success Guarantee to such SMEs. The purpose of the government grants is to provide financial assistance to small and medium financial guarantee enterprises.

Impairment and provision (charged)/written back

For the year ended 31 December 2010, the impairment provision charge of approximately RMB0.8 million was off-set by a provision for financial guarantee written back of approximately RMB2.3 million, resulting a net provision amount written back of approximately RMB1.5 million.

Impairment provision charged for trade receivables increased from approximately RMB0.8 million for the year ended 31 December 2010 to approximately RMB1.0 million for the year ended 31 December 2011. For the year ended 31 December 2011, there was a general provision for financial guarantee business of approximately RMB2.0 million for estimating certain proportion of customers whose recoverability was considered to be remote.

FINANCIAL INFORMATION

Operating expenses

Operating expenses increased by approximately 39.8% from approximately RMB10.3 million for the year ended 31 December 2010 to approximately RMB14.4 million for the year ended 31 December 2011. The increase was mainly attributable to (i) the one-off consultancy fee of approximately RMB1.3 million to a risk management consultant for enhancing our Group's risk management system; (ii) an aggregate of management fee of approximately RMB2.1 million paid to a related party for streamlining the business operation of our Group; (iii) staff costs increased by approximately RMB0.4 million to cope with the business expansion of our Group; and (iv) professional fees of approximately RMB1.2 million in respect of the preparation of the Listing.

Share of profits/(losses) of a joint venture

The share of profits from Success Futures decreased from approximately RMB1.9 million for the year ended 31 December 2010 to RMB0.6 million for the year ended 31 December 2011, mainly due to the scale of its futures brokerage business deteriorated during the year.

Profit before taxation

As a result of the foregoing, our Group's profit before taxation for the year ended 31 December 2011 was approximately RMB46.4 million, representing an increase by approximately 31.4% from approximately RMB35.3 million for the year ended 31 December 2010.

Income tax

Our Group's income tax for the year ended 31 December 2011 was approximately RMB11.9 million, representing an increase by approximately 25.3% from that of approximately RMB9.5 million for the year ended 31 December 2010. Such increase was basically in line with the increase in our Group's profit before taxation during the year. Our Group's effective income tax rates for the two years ended 31 December 2010 and 2011 were 26.9% and 25.7% respectively. The higher effective tax rate for the year ended 31 December 2010 was mainly attributable to the non-deductible expenses of excessive entertainment expenses and staff welfare in aggregate of approximately RMB2.8 million; while that for the year ended 31 December 2011 was basically consistent with the statutory rate of 25%, but which was also affected by the similar non-deductible expenses to a lesser extent of approximately RMB1.4 million.

Profit for the year

Profit for the year increased by approximately 33.7% from approximately RMB25.8 million for the year ended 31 December 2010 to approximately RMB34.5 million for the year ended 31 December 2011, while net profit margin slightly decreased from approximately 73.4% in 2010 to approximately 64.5% in 2011. The slight decrease in net profit margin was mainly due to the increase in impairment and provision of financial guarantee loss made and the operating expenses incurred for the year ended 31 December 2011 as mentioned above.

FINANCIAL INFORMATION

Year ended 31 December 2012 compared with year ended 31 December 2011

Revenue

Revenue increased by approximately 6.7% from approximately RMB53.5 million for the year ended 31 December 2011 to approximately RMB57.1 million for the year ended 31 December 2012. Such increase was mainly contributed by the combined effect of the following reasons:

Financial guarantees

Revenue generated from financial guarantees increased by approximately 11.1% from approximately RMB40.6 million for the year ended 31 December 2011 to approximately RMB45.1 million for the year ended 31 December 2012. Such increase was mainly due to the fact that our Group had actively explored new guarantee services for SMEs, such as the Foshan SME Bills, SMEs receiving loans from the Foshan SME Trust Fund, an issue of private placement bonds by an SME (中小企業私募債) etc., as a result of our Group's active and continuing participation into those government-organised/encouraged financial guarantee services to SMEs during the year ended 31 December 2012. Our Directors have considered that financial guarantee projects with government authorities' supports shall relatively and generally be less risky in terms of possible customers default, while the guarantee rates have generally been lower than that offered to our other customers.

Non-financial guarantees

Revenue generated from non-financial guarantees, comprising litigation guarantees and performance guarantees, decreased from approximately RMB1.9 million for the year ended 31 December 2011 to approximately RMB1.0 million for the year ended 31 December 2012, the decrease in non-financial guarantee fee was mainly attributable to the decrease in the guarantee obligation amount during the year and remained outstanding in 2012. During the two years ended 31 December 2012, our Group's customers requesting for litigation or performance guarantees were generally occasional and standalone in nature, so the absolute revenue amount involved merely accounted for approximately 3.5% and 1.8% of our Group's total revenue respectively, and therefore had not materially changed.

Financial consultancy services

Our Group's financial consultancy service business recorded revenue of approximately RMB11.0 million for the year ended 31 December 2012, which was relatively stable when compared to that for the year ended 31 December 2011.

Other revenue

Other revenue significantly increased by approximately 67.0% from approximately RMB9.7 million to approximately RMB16.2 million, which was mainly contributed by (i) the increase in government grants by approximately RMB2.4 million during the year; (ii) the increase in interest income from bank deposits by approximately RMB1.4 million; and (iii) a one-off investment income of approximately RMB2.9 million.

Impairment and provision (charged)/written back

Our Group had no provision charged for financial guarantees and impairment provision charged for trade receivables for the year ended 31 December 2012, but it had a minimal impairment and provision charged for other receivables of RMB0.1 million during the year.

Our Group conversely had recorded (i) provision for financial guarantees written back of approximately RMB1.4 million; and (ii) impairment provision written back for trade receivables of

FINANCIAL INFORMATION

approximately RMB1.9 million for the year ended 31 December 2012, mainly generated from the net gain of factoring of some financial guarantee amounts without recourse to a factoring house and then be recognized as written back of impairment provision during the year. The impairment provision for financial guarantee took into account the outstanding guarantee obligation amount, as well as the historical loss and claim rate of our Group and other macro factors during the year.

Operating expenses

Operating expenses increased by approximately 17.4% from approximately RMB14.4 million for the year ended 31 December 2011 to approximately RMB16.9 million for the year ended 31 December 2012. The increase was mainly attributable to the increase in (i) staff costs by approximately RMB0.8 million to cope with our Group's business expansion during the year; and (ii) professional and consultancy fees of approximately RMB3.2 million in respect of the preparation of the Listing, but which was offset by (a) the decrease in management fee paid to a related party of approximately RMB1.2 million, and (b) the risk management consultancy fee of approximately RMB1.3 million incurred in 2011 did not recur in 2012.

Share of profits/(losses) of a joint venture

The share of profits from Success Futures decreased from profits of approximately RMB0.6 million for the year ended 31 December 2011 to losses of approximately RMB0.3 million for the year ended 31 December 2012, mainly due to the overall unfavourable market sentiment affecting its futures brokerage business during the year. Success Futures was disposed of to a related party by our Group in October 2012 for a cash consideration of approximately RMB30.9 million, and a gain on disposal of a joint venture of approximately RMB2.4 million was recognized during the year ended 31 December 2012.

Profit before taxation

As a result of the foregoing, our Group's profit before taxation for the year ended 31 December 2012 was approximately RMB61.7 million, representing an increase by approximately 33.0% from approximately RMB46.4 million for the year ended 31 December 2011.

Income tax

Our Group's income tax for the year ended 31 December 2012 was approximately RMB14.1 million, representing an increase by approximately 18.5% from that of approximately RMB11.9 million for the year ended 31 December 2011, such increase was mainly associated with the increase in our Group's profit before taxation during the year. Our Group's effective income tax rates for the two years ended 31 December 2011 and 2012 were 25.7% and 22.8% respectively. The decrease in effective tax rate in 2012 was mainly attributable to a non-taxable item of a reversal of deferred tax liabilities of approximately RMB1.8 million in relation to the cash dividends received from Success Futures of approximately RMB7.1 million.

Profit for the year

Profit for the year increased by 38.3% from approximately RMB34.5 million for the year ended 31 December 2011 to approximately RMB47.7 million for the year ended 31 December 2012, while net profit margin increased from approximately 64.5% in 2011 to approximately 83.4% in 2012. The increase in net profit margin was mainly due to the impairment provision written back, one-off investment income from available-for-sale financial assets and net gain from disposal of a joint venture.

FINANCIAL INFORMATION

Five months ended 31 May 2013 compared with the five months ended 31 May 2012

Revenue

Revenue for the five months ended 31 May 2013 had basically remained unchanged of approximately RMB22.1 million when compared to that of the corresponding period in the previous year. However, there were some fluctuations leading to this unchanged combined effect as follow:

Financial guarantees

Business segment of financial guarantee remained stable without material fluctuation in revenue for the five months ended 31 May 2013, which slightly decreased by approximately 2.6% from approximately RMB19.2 million for the five months ended 31 May 2012 to approximately RMB18.7 million for the five months ended 31 May 2013.

Non-financial guarantees

Revenue generated from non-financial guarantees, comprising litigation guarantees and performance guarantees, slightly increased to approximately RMB0.5 million for the five months ended 31 May 2013 when compared to that of approximately RMB0.4 million for the corresponding period in the previous year. As explained before, our Group's customers requesting for litigation or performance guarantees were generally occasional and standalone in nature, so the absolute revenue amount involved was not material and merely accounted for approximately 1.6% and 2.4% of our Group's total revenue for the two corresponding periods respectively, and therefore had not materially changed.

Financial consultancy services

Our Group's financial consultancy service business recorded revenue of approximately RMB2.8 million for the five months ended 31 May 2013, which was relatively stable when compared to that of approximately RMB2.5 million for the corresponding period in the previous year.

Other revenue

Other revenue significantly decreased by approximately 63.5% from approximately RMB7.4 million for the five months ended 31 May 2013 to approximately RMB2.7 million for the corresponding period in the previous year, which was mainly adversely affected by the significant decrease in government grants received by our Group by approximately RMB5.3 million for the period, but which was partly compensated by the increase in interest income from bank deposits of approximately RMB0.6 million. Our Directors consider that government grants previously received by our Group were co-incidentally fulfilled the granting criteria under the absolute discretion of the relevant government bureaux with reference to the average outstanding financial guarantee amount offered to the SMEs. Our Group will continuously be seeking for any new government grants, if any, which we are eligible applied for.

Impairment and provision (charged)/written back

Our Group had provision charged for financial guarantees issued of approximately RMB0.3 million for the five months ended 31 May 2013, while conversely, a provision for financial guarantees written back of approximately RMB0.7 million was recorded for the corresponding period in the previous year. The impairment provision for financial guarantee took into account the outstanding guarantee obligation amount, as well as the historical loss and claim rate of our Group and other macro factors during the period.

FINANCIAL INFORMATION

Operating expenses

Operating expenses significantly increased by approximately 88.2% from approximately RMB7.6 million for the five months ended 31 May 2012 to approximately RMB14.3 million for the five months ended 31 May 2013. The increase was mainly attributable to the increases in (i) staff costs by approximately RMB0.5 million to cope with our Group's business development during the period; (ii) professional and consultancy fees of approximately RMB7.1 million substantially in respect of the preparation of the Listing; and (iii) business and other taxes by approximately RMB0.4 million as a result of the cessation of previous exemption from business tax on our Group's consultancy service business effective from March 2013, but which was offset by the non-recurrence of management fee paid to a related party of approximately RMB0.9 million during the five months ended 31 May 2012.

For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the amounts of business tax exempted were approximately RMB1.5 million, RMB2.4 million, RMB1.9 million and RMB0.3 million respectively. Taking into account the effect of the enterprise income tax and other sub-charges, the impact of the business tax exemption to our Group's operating results would decrease by approximately RMB1.2 million, RMB2.0 million, RMB1.6 million and RMB0.2 million for each of the three years ended 31 December 2012 and the five months ended 31 May 2013, respectively. Our Group is still in the process of applying business tax exemption for the period commencing from 1 March 2013.

Share of profits of associates

The share of profits of associates amounted to approximately RMB3.0 million for the five months ended 31 May 2013 was substantially contributed by Success Credit when compared to that of merely RMB132,000 for the period between 18 December 2012 and 31 December 2012 in the previous year. Our Group's equity interest in Success Credit was acquired in December 2012.

Share of profits/(losses) of a joint venture

Our Group had no longer shared any profits or losses from Success Futures for the five months ended 31 May 2013, because Success Futures was disposed of to a related party by our Group in October 2012.

Profit before taxation

As a result of the foregoing, our Group's profit before taxation for the five months ended 31 May 2013 was approximately RMB13.1 million, representing a considerable decrease by approximately 41.3% from approximately RMB22.3 million for the corresponding period in the previous year.

Income tax

Our Group's income tax for the five months ended 31 May 2013 was approximately RMB3.4 million, representing a decrease by approximately 12.8% from that of approximately RMB3.9 million for the corresponding period in the previous year, such decrease was mainly associated with the decrease in our Group's profit before taxation during the year. Our Group's effective income tax rates for the five months ended 31 May 2012 and 2013 were 17.5% and 26.1% respectively. The unusual lower effective tax rate of 17.5% for the five months ended 31 May 2012 was mainly attributable to a non-taxable item of a reversal of deferred tax liabilities of approximately RMB1.8 million in relation to the cash dividends received from Success Futures of approximately RMB7.1 million, while the same for the five months ended 31 May 2013 was basically in line with the statutory income tax rate of 25.0%.

FINANCIAL INFORMATION

Profit for the period

Profit for the period decreased by 47.3% from approximately RMB18.4 million for the five months ended 31 May 2012 to approximately RMB9.7 million for the five months ended 31 May 2013, while net profit margin decreased from approximately 83.3% for the five months ended 31 May 2012 to approximately 43.9% for the corresponding period in 2013. The decrease in net profit margin was mainly due to the decrease in government grants received by approximately RMB5.3 million and the increase in the non-recurring listing expenses of approximately RMB7.1 million. Should the non-recurring listing expenses of approximately RMB9.1 million (2012: RMB2.0 million) (grouped under the professional and consultancy fee) be excluded from the total operating expenses for the five months ended 31 May 2013, our Group would have reported profit for the period of approximately RMB16.5 million or a net profit margin of 74.7%, after taking into account the associated tax benefit of approximately RMB2.3 million.

IMPACT OF NON-RECURRING EXPENSES

The financial results of our Group for the year ending 31 December 2013 will be affected by the non-recurring expenses in relation to the Listing. The estimated expenses in relation to the Listing are approximately HK\$50.6 million (based on the Offer Price of HK\$2.30, being the mid-point of the indicative Offer Price range of HK\$1.80 to HK\$2.80 per Offer Share), of which approximately HK\$18.4 million is directly attributable to the issue of Offer Shares and is expected to be accounted for as a deduction from equity. Of the remaining estimated listing expenses of approximately HK\$32.2 million (equivalent to approximately RMB25.5 million) to be charged to our consolidated statements of profit or loss and other comprehensive income, RMB1.2 million and RMB3.3 million have been recognized in the years ended 31 December 2011 and 2012, respectively. The remaining RMB21 million (of which, approximately RMB9.1 million has already been expensed for the five months ended 31 May 2013) is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2013. Expenses in relation to the Listing are non-recurring. Our Directors would like to emphasise that such amount of expenses is a current estimate for reference only and the final amount to be recognised in the consolidated statement of profit or loss and other comprehensive income of our Group for the year ending 31 December 2013 is subject to adjustment based on the actual expenses incurred. Accordingly, the financial results of our Group for the year ending 31 December 2013 are expected to be materially and adversely affected by the estimated expenses in relation to the Listing.

Moreover, the fair value of the share options granted under the Pre-IPO Share Option Scheme, according to the calculation of an external independent professional valuer, is expected to be about HK\$16.7 million which will be charged to the consolidated statements of profit or loss and other comprehensive income of our Group over the vesting periods by reference to the fair value at the date on which the share option are granted. The share options under the Pre-IPO Share Option Scheme will be granted on 6 November 2013. It is expected that approximately HK\$2.5 million will be charged to the consolidated statement of profit or loss and other comprehensive income of our Group for the year ending 31 December 2013.

FINANCIAL INFORMATION

Shareholders or potential investors should note that the financial performance of our Group for the year ending 31 December 2013 would be materially and adversely affected by the expenses in relation to the Listing and the grant of the share options under the Pre-IPO Share Option Scheme mentioned above, and may or may not be comparable to the financial performance of our Group in the past. However, Shareholders or potential investors should note that such estimated listing expenses and fair value adjustments attributable to the share options are one-off and non-recurring in nature.

Our Directors confirmed that save for the listing expenses of approximately HK\$50.6 million, there were no material non-recurring items to be paid by our Group as at the Latest Practicable Date and there had been no material adverse change in the financial positions of our Group since 31 May 2013 and up to the Latest Practicable Date.

TREASURY MANAGEMENT AND INVESTMENT POLICY

In order to more effectively utilise our Group's financial resources for obtaining a better return for the Shareholders, it had been our Group's general approach that our management had sought for some alternative investment opportunities which could provide a better return but at a minimum risk exposure. Prior to and during the Track Record Period, our Group had occasionally made certain investments in landed properties, equity and debt securities from time to time when our Directors considered that there were idle funds not immediately required for our day-to-day guarantee business operations. Our Directors considered that all such investments made prior to and during the Track Record Period were solely for the purpose of increasing return on its idle funds, one-off and not recurring in nature; and therefore not directly related to our Group's ordinary business objectives. The purpose of realisation of all such investments was to release cash resources for our Group's increasing scale of guarantee business during the Track Record Period. Our Group has no prescribed treasury and investment policy in force, and would not make any other similar investments in the near future while our Group's cash resources will be utilised in its ordinary guarantee business operation.

During the year ended 31 December 2010, our Group had disposed of the investment properties located at Foshan City, Guangdong Province, the PRC to Success Holdings at the then prevailing market price through an auction house with net proceeds of approximately RMB28.5 million and a nominal loss on disposal of approximately RMB208,000 without taking into account the rental income of approximately RMB1.0 million received during the year.

During the year ended 31 December 2011, our Group had disposed of an unlisted securities investment in a PRC company to a related party, namely Mr. Pang, at its carrying value of RMB1.0 million in August 2011, no material gain or loss was recorded.

During the year ended 31 December 2012, Success Guarantee entered into an entrusted investment agreement with Yuecai Trust, an unrelated party, on 12 July 2012. Pursuant to the agreement, Yuecai Trust was entrusted to invest in debt securities of RMB60.0 million, while the principal and return of the entrusted investment are not guaranteed. The principal of entrusted investment was fully redeemed by our Group in December 2012 with an investment income of approximately RMB2.9 million. As advised by our PRC Legal Advisers, our Group's entrusted investment arrangement with Yuecai Trust during the year ended 31 December 2012 did not violate the Implementing Rules.

FINANCIAL INFORMATION

Our Directors confirm that all the investees involved in the above investments did not have any relationship with our Group's customers or the collateral or counter-guarantees provided to us during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Since our Group's establishment, our Group mainly finances our operations from capital contributions from Shareholders, cash inflow from investing activities and cash flow from operating activities before working capital changes.

Our Group manages liquidity primarily by monitoring the maturities of its assets and liabilities in an effort to ensure that it has sufficient funds to meet obligations as they become due. During the Track Record Period, our Group had been capable to generate considerable operating cash inflow before working capital changes, which amounted to approximately RMB31.4 million, RMB48.1 million, RMB51.5 million and RMB8.2 million respectively.

The following table set out selected cash flow data from our Group's consolidated cash flow statements for the period indicated.

	For the year ended			For the five	
	31 December			months ended	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Operating cash flow before working capital changes	31,427	48,137	51,537	20,465	8,238
Net cash generated from/(used in) operating activities	15,641	(102,298)	39,958	21,963	(3,939)
Net cash generated from/(used in) investing activities	36,578	41,141	(45,025)	(135,751)	(34,295)
Net cash generated from/(used in) financing activities	<u>—</u>	<u>53,919</u>	<u>29,752</u>	<u>(1,000)</u>	<u>(1,364)</u>
Net increase/(decrease) in cash and cash equivalents	52,219	(7,238)	24,685	(114,788)	(39,598)
Cash and cash equivalents at beginning of the year/period	80,909	133,128	125,890	125,890	150,575
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(58)</u>
Cash and cash equivalents at the end of the year/period	<u><u>133,128</u></u>	<u><u>125,890</u></u>	<u><u>150,575</u></u>	<u><u>11,102</u></u>	<u><u>110,919</u></u>

FINANCIAL INFORMATION

Net cash generated from/(used in) operating activities

Our Group's cash inflow from operating activities was primarily generated from financial and non-financial guarantee and financial consultancy services.

Net cash generated from/(used in) operating activities primarily consisted of profit before tax and taking into account adjustments for certain major non-cash and non-operating items such as depreciation of fixed assets, impairment provision (written back)/charged, investment income, share of profits of a joint venture, net gain from disposal of a joint venture and interest income from bank deposits which are non-cash items and/or non-operating in nature and the net effect of changes in working capital.

For the year ended 31 December 2010, net cash generated from our Group's operating activities was approximately RMB15.6 million, while our Group's profit before taxation for the same year was approximately RMB35.3 million. The difference was mainly attributable to (i) the decrease in pledged bank deposits of approximately RMB8.5 million, (ii) the decrease in trade and other receivables of approximately RMB8.9 million; but partly offset by (a) the decrease in customer pledged deposits received of approximately RMB30.2 million as a result of release of some financial guarantee obligations during the year, and (b) the PRC income tax paid by approximately RMB7.9 million.

For the year ended 31 December 2011, net cash used in our Group's operating activities was approximately RMB102.3 million, while our Group's profit before taxation for the same year was approximately RMB46.4 million. The difference was mainly attributable to (i) the increase in pledged bank deposits of approximately RMB36.8 million as a result of the increase in financial guarantee amount during the year, and (ii) the decrease in customers' pledged deposits received of approximately RMB63.0 million as a result of refund of deposits on release of financial guarantee obligations during the year, (iii) the impact of the implementation of Article 33 of the Implementing Rules for the Administration of Financial Guarantee Companies. According to the Article 33, the customers' pledged deposits received shall be deposited into a segregated bank account in accordance with a tripartite custody agreement and the requirements were required to be fulfilled by 31 March 2011. Although the tripartite custody agreements were not available and the deposits were not kept in a segregated bank account, for the purpose of the presentation of the consolidated cash flow statements, the customers' pledged deposits set aside were excluded from the cash and cash equivalents and presented as restricted deposits. This has the impact of reducing the cash flows from the operating activities by RMB40.7 million in the year 2011, and (iv) decrease in accruals and other payables of approximately RMB5.6 million, and (v) the PRC income tax paid by approximately RMB14.2 million; but partly offset by (a) the decrease in trade and other receivables as a result of repayment received of approximately RMB4.0 million, and (b) the RMB6.4 million increase in deferred income mainly due to increase in number of financial guarantee contracts entered into during the year.

For the year ended 31 December 2012, net cash generated from our Group's operating activities was approximately RMB40.0 million, while our Group's profit before taxation for the same year was approximately RMB61.7 million. The difference was mainly attributable to (i) more obvious adjustment for non-cash/non-operating in nature items in aggregate of approximately RMB10.2 million including impairment written back, investment income, share of losses of a joint venture, net

FINANCIAL INFORMATION

gain from disposal of a joint venture, share of profits of an associate, net loss on disposal of equipment and investment property, depreciation and interest income from bank deposits, (ii) increase in trade and other receivables as a result of repayment received of approximately RMB4.4 million, and (iii) the PRC income tax paid by approximately RMB8.4 million.

For the five months ended 31 May 2013, net cash used in our Group's operating activities was approximately RMB3.9 million, while our Group's profit before taxation for the same period was approximately RMB13.1 million. The difference was mainly attributable to (i) the adjustments for non-cash/non-operating in nature items in aggregate of approximately RMB4.9 million including share of profits of an associate and interest income from bank deposits, (ii) increase in pledged bank deposits of approximately RMB19.9 million, (iii) decrease in deferred income of approximately RMB6.7 million, and (iv) the PRC income tax paid by approximately RMB5.2 million; but partly offset by (a) the decrease in trade and other receivables of approximately RMB16.5 million, and (b) increase in accruals and other payables of approximately RMB3.9 million.

Net cash generated from/(used in) investing activities

Our Group's cash inflow from investing activities was mainly attributable to disposal of investment properties, available-for-sale financial assets and joint venture, interest received and dividend received from joint venture. Our Group's cash outflow to investing activities are primarily for payment for acquisition of associates and fixed assets and purchase of available-for-sale financial assets.

For the year ended 31 December 2010, net cash generated from our Group's investing activities was approximately RMB36.6 million, which was mainly attributable to (i) the cash proceeds from the disposal of investment properties of approximately RMB28.4 million, (ii) the net repayments of advances from related parties of approximately RMB6.3 million, and (iii) the interest received amounted to approximately RMB1.9 million.

For the year ended 31 December 2011, net cash generated from our Group's investing activities was approximately RMB41.1 million, which was mainly attributable to (i) net repayments of advances from related parties of approximately RMB39.7 million, (ii) the cash proceeds from the disposal of associates and investment in unlisted securities of approximately RMB4.0 million and RMB1.0 million respectively, and (iii) interest received amounted to approximately RMB1.1 million; but offset by the payment on acquisition of an associate of approximately RMB4.0 million.

For the year ended 31 December 2012, net cash used in from our Group's investing activities was approximately RMB45.0 million, which was mainly attributable to (i) proceeds from disposal of a joint venture of approximately RMB30.9 million, (ii) dividends received from a joint venture of approximately RMB7.1 million, (iii) net repayment of advances from related parties of approximately RMB3.9 million, (iv) investment income of approximately RMB2.9 million, (v) interest received amounted to approximately RMB2.5 million and (vi) redemption of available-for-sale financial assets of approximately RMB60.0 million; but offset by (a) the payment on acquisition of an associate of approximately RMB37.8 million, and (b) payments for purchase of equipment and property of approximately RMB54.6 million, and (c) payment for purchase of available-for-sale financial assets of approximately RMB60.0 million.

FINANCIAL INFORMATION

For the five months ended 31 May 2013, net cash used in our Group's investing activities was approximately RMB34.3 million, which was mainly attributable to the placement of a bank deposit with original maturity over three months of RMB35.0 million.

Net cash generated from/(used in) financing activities

Our Group's cash inflow from financing activities was mainly generated from the capital injection contributed by the equity-holders to increase the registered and paid-up capital of Success Guarantee and proceeds arising from re-organisation of our Group. In order to maintain an adequate level of working capital and net asset value of Success Guarantee for continuous business development, our Group did not declare and pay any dividend during the Track Record Period.

For the year ended 31 December 2010, there was no net effect on our Group's investing activities, because advances from related parties of RMB1.0 million was completely offset by repayments to related parties at exactly the same amount during the year.

For the year ended 31 December 2011, net cash generated from our Group's financing activities was approximately RMB53.9 million mainly due to the capital injection of RMB50.0 million by the then equity-holders of Success Guarantee in 2011, and net advances from related parties of approximately RMB3.9 million.

For the year ended 31 December 2012, net cash generated from our Group's financing activities was approximately RMB29.8 million mainly due to capital contribution the approximately RMB39.2 million arising from reorganization of our Group in 2012, which was off-set by a net repayment to related parties amounted to approximately RMB3.9 million and the payment for listing expenses of approximately RMB5.6 million.

For the five months ended 31 May 2013, net cash used in our Group's financing activities was approximately RMB1.4 million mainly due to the payment for listing expenses of approximately RMB6.5 million, which was off-set by net advances from related parties amounted to approximately RMB5.2 million.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 31 May
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Equipment	970	1,152	916	831
Interest in associates	—	—	37,959	40,916
Interest in a joint venture	35,436	36,055	—	—
Other non-current assets	1,582	643	55,261	55,407
Pledged bank deposits	60,432	94,633	82,731	106,706
Deferred tax assets	774	—	—	—
	99,194	132,483	176,867	203,860
Total non-current assets	99,194	132,483	176,867	203,860
Current assets				
Pledged bank deposits	93,785	96,376	103,337	99,227
Trade and other receivables	62,350	17,707	25,491	17,039
Bank deposit with original maturity over three months	—	—	—	35,000
Cash and bank deposits	133,128	166,577	163,155	114,569
	289,263	280,660	291,983	265,835
Total current assets	289,263	280,660	291,983	265,835
Current liabilities				
Receipts in advance	1,425	975	1,838	1,113
Accruals and other payables	8,384	6,685	4,477	8,380
Customer pledged deposits received	61,901	20,764	2,600	2,100
Current tax liabilities	3,398	2	3,777	1,237
Liabilities from guarantees	28,699	33,532	30,678	27,607
	103,807	61,958	43,370	40,437
Total current liabilities	103,807	61,958	43,370	40,437
Net current assets	185,456	218,702	248,613	225,398
Non-current liabilities				
Customer pledged deposits received	41,783	19,923	9,980	1,550
Liabilities from guarantees	8,168	11,688	7,679	4,434
Deferred tax liabilities	—	370	2,213	2,963
	49,951	31,981	19,872	8,947
Net assets	234,699	319,204	405,608	420,311

FINANCIAL INFORMATION

Equipment

Our Group's equipment mainly comprised motor vehicles, and office and other equipment with net book value of approximately RMB0.6 million and RMB0.4 million respectively as at 31 December 2012, the aggregate balances of which as at 31 May 2013 amounted to approximately RMB0.8 million and had been relatively stable during the Track Record Period.

Interest in associates

As at 31 December 2012 and 31 May 2013, our Group had an investment in an associate, namely Success Credit, which was acquired by us in December 2012. Our Group has significant influence over the operating and financial policies of Success Credit by appointing three out of nine representatives in the board of directors thereof. Success Credit has principally engaged in small credit financing for SMEs. The balance of approximately RMB38.0 million and RMB40.9 million as at 31 December 2012 and 31 May 2013, respectively was solely attributable to our Group's investment cost and share of net assets and profits for the period after acquisition of Success Credit. The increase in the balance of interest in associates was due to the share of profits of Success Credit of approximately RMB2.9 million for the five months ended 31 May 2013.

During the year ended 31 December 2011, an associate, namely Foshan Success Credit Rating Co., Ltd., was jointly set up by our Group with related parties in August 2011 with effective equity interest of 40%, but which had been remaining dormant and was subsequently disposed of to a related party in December 2011 at book value of RMB4.0 million. As such, no balance was recorded as at the year-end date on 31 December 2011 and 2012.

Interest in a joint venture

Interest in a joint venture represents the 51% equity interest in Success Futures held by our Group. Success Futures has principally engaged in future brokerage business in the PRC. The contribution of Success Futures did not form a significant portion of our Group's business operation, we had shared profits/(losses) from Success Futures of approximately RMB1.9 million, RMB0.6 million and RMB(0.3) million during the three years ended 31 December 2012 respectively. Success Futures was disposed of by our Group in October 2012 at a consideration of approximately RMB30.9 million with a net gain on disposal recognized by us of approximately RMB2.4 million.

Other non-current assets

Other non-current assets as at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted to approximately RMB1.6 million, RMB0.6 million, RMB55.3 million and RMB55.4 million respectively.

Among the non-current assets of approximately RMB55.3 million and RMB55.4 million as at 31 December 2012 and 31 May 2013 respectively, RMB54.3 million derived from the related party transaction between Success Guarantee and Foshan Finance, and the related party transaction between Success Asset and Foshan Finance. Please refer to sub-paragraph headed "Balances with related parties" in this section for details of the related party transactions.

FINANCIAL INFORMATION

Pledged bank deposits

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group's pledged bank deposits amounted to approximately RMB154.2 million, RMB191.0 million, RMB186.1 million and RMB205.9 million respectively, of which, RMB93.8 million, RMB96.4 million, RMB103.3 million and RMB99.2 million were classified as current assets of our Group while the respective balances of which were classified as non-current assets.

All of the pledged bank deposits were deposited to specific accounts at banks or financial institutions as securities for financial guarantee granted by the banks to our customers. The higher balance of pledged bank deposits as at 31 December 2011 and 2012 and 31 May 2013 were mainly due to the additional pledged bank deposits required by banks as a consequence of increase in financial guarantees granted by our Group to customers.

Cash and bank deposits

Included in cash and bank deposits were bank deposits with maturity of less than three months, which amounted to approximately RMB133.1 million, RMB166.6 million, RMB163.2 million and RMB114.6 million (including respective balance of customer pledged deposits of approximately RMB40.7 million, RMB12.6 million and RMB3.7 million as at 31 December 2011 and 2012 and 31 May 2013) as at 31 December 2010, 2011 and 2012 and 31 May 2013 respectively.

Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, our Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011. The arrangements include: (a) enter into tripartite custodian agreement among lending bank, customer and the Group for ensuring the entrustment of lending bank to manage the deposits; (b) deposit the pledged deposit received from the customer into a designated custodian bank account; and (c) such deposit is not available for use by our Group. However, the aforesaid rules and regulations are not enforceable to banks, so our Group could not enter into tripartite custodian arrangements with certain lending banks. For those guarantee services without setting up tripartite custodian arrangements, our Group has maintained the restricted customer pledged deposits received in our Group's bank accounts. As at 31 December 2011 and 2012 and 31 May 2013, the restricted customer pledged deposits received maintained at our Group's bank accounts were approximately RMB40.7 million, RMB11.0 million and RMB2.1 million respectively; while the same placed at designated custodian bank accounts were nil, approximately RMB1.6 million and RMB1.6 million as at the respective year-end/period-end dates. For the purpose of the consolidated statements of cash flow, the customer pledged deposits received by our Group had been excluded from cash and cash equivalents and cash flow from operating activities since 31 March 2011.

FINANCIAL INFORMATION

Trade and other receivables

Trade and other receivables as at 31 December 2010, 2011 and 2012 and 31 May 2013 were approximately RMB62.3 million, RMB17.7 million, RMB25.5 million and RMB17.0 million respectively. The following table sets out major items of the trade and other receivables balance as at the end of each of the Track Record Period:

	As at 31 December			As at
	2010	2011	2012	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade debtors	—	—	1,484	1,721
Payment on behalf of customers	16,042	20,194	25,044	16,110
Amount due from related parties	43,612	3,960	50	50
Other receivables	19,450	10,830	8,628	7,891
Deferred and prepaid expenses	<u>315</u>	<u>818</u>	<u>3,715</u>	<u>4,697</u>
	79,419	35,802	38,921	30,469
Less: allowance for doubtful debts	<u>(17,069)</u>	<u>(18,095)</u>	<u>(13,430)</u>	<u>(13,430)</u>
	<u>62,350</u>	<u>17,707</u>	<u>25,491</u>	<u>17,039</u>

Trade debtors

The balance of trade debtors of approximately RMB1.5 million and RMB1.7 million as at 31 December 2012 and 31 May 2013, respectively, represented service fee income receivable from customers.

Payments on behalf of customers

Payments on behalf of customers mainly represents default loan amount repaid by our Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by our Group on behalf of our customers. Our Group will then subsequently request repayment from our customers or take possession of the counter-guarantee assets provided by such customers to recover the outstanding balance. Payments on behalf of customers were interest bearing and our Group holds certain collaterals over certain customers. The outstanding balance of payments on behalf of customers as at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted to approximately RMB16.0 million, RMB20.2 million, RMB25.0 million and RMB16.1 million respectively. The entire amount of the RMB16.1 million payments on behalf of customers as at 31 May 2013 has not been settled as at the Latest Practicable Date.

As at 31 December 2010 and 2011, payments on behalf of customers amounted to approximately RMB2.1 million and RMB1.9 million (net of provision of RMB8.8 million and RMB9.1 million), and two other receivables amounted to RMB2.7 million (net of two impairment provisions of approximately RMB6.4 million for 2010 and 2011 respectively), respectively, were pledged as deposits to a related party, namely Foshan Dacheng Investment Co., Ltd. (佛山市大成投資有限公司),

FINANCIAL INFORMATION

a company of which 100% interest is held by Mr. Zhang, Mr. Pang, Mr. Xu and Foshan Finance during the period from 23 January 2011 to 18 June 2012 for guarantee referral services provided. The pledged receivables were released pursuant to a supplementary agreement entered into between the related party and Success Guarantee on 10 October 2012. In December 2012, certain aforesaid payments on behalf of customers amounted to approximately RMB1.1 million (net of impairment provision of RMB3.6 million) and other receivable amounted to approximately RMB2.7 million (net of impairment provision of RMB0.3 million), together with other payments on behalf of customers were factored without recourse to a factoring house, namely China Cinda Assets Management Co., Ltd. (“Cinda”) at approximately RMB16.4 million.

On 21 December 2012, payments on behalf of customers amounted to approximately RMB10.9 million (net of impairment provision of approximately RMB5.4 million) and other receivables amounted to approximately RMB2.7 million (net of impairment provision of RMB0.3 million) were factored without recourse to Cinda at approximately RMB13.9 million and RMB2.5 million, respectively. Net gain on factoring of approximately RMB2.8 million was recognised as written back of impairment provision for the year ended 31 December 2012. Amounts receivable from Cinda amounted to RMB13.9 million and RMB2.5 million were recorded as payments on behalf of customers and other receivables, respectively, as at 31 December 2012. The aggregate amount of approximately RMB16.4 million was fully settled in January 2013.

Our Group generally did not grant credit terms to its customers because of its nature of business. The following is an ageing analysis of our Group’s trade debtors and payment on behalf of customers that are past due but not impaired as at 31 December 2010, 2011 and 2012 and 31 May 2013 were as follows:

	As at 31 December			As at
	2010	2011	2012	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Trade debtors</i>				
0 — 30 days	—	—	803	—
30 — 90 days	—	—	—	50
91 — one year	—	—	681	1,671
	<u>—</u>	<u>—</u>	<u>1,484</u>	<u>1,721</u>
<i>Payments on behalf of customers</i>				
0 — 30 days	—	498	—	—
30 — 90 days	—	55	15,855	—
91 — one year	1,691	3,919	1,859	6,921
Over one year	14,351	15,722	7,330	9,189
	16,042	20,194	25,044	16,110
Less: allowance for doubtful debts	<u>(10,674)</u>	<u>(11,700)</u>	<u>(7,330)</u>	<u>(7,330)</u>
	<u>5,368</u>	<u>8,494</u>	<u>17,714</u>	<u>8,780</u>

FINANCIAL INFORMATION

Our Directors consider that the carrying amounts of trade receivables and payment on behalf of customers approximate their fair values. As at 31 May 2013, there were trade and other receivables amounted to RMB17.8 million (included payment on behalf of customers of RMB16.1 million). Our Group calculated the estimated recoverable amount through the present value of the estimated future cash flows/expenditures focuses on customers' financial status and ability to pay and information specific to the customers, and compared the carrying amount of approximately RMB17.8 million to the present value of the estimated recoverable amount of approximately RMB10.5 million, of which approximately RMB7.3 million provision was made for the differences. As at the Latest Practicable Date, approximately RMB1.7 million was subsequently settled after 31 May 2013. For the remaining unprovided amounts of approximately RMB8.8 million, our Group assessed that they are expected to be recovered through repayment from proceeds of insurance claims and disposal of collaterals held by our Group. Accordingly, our Group considered that no additional provision is required for the remaining net exposure.

Set out below is a summary of default cases (“**default cases**”) where our customers defaults on loans guaranteed by us and the relevant lenders required compensation from us during the Track Record Period and up to the Latest Practicable Date:

	2010	For the year ended 31 December 2011		2012	For the period from 1 January 2013 and up to the Latest Practicable Date
Number of new default cases (note 1)	1	5		8	1
Default rate (note 2)	0.2%	1.3%		1.1%	0.3%
Guarantee amount attributable to the new default cases (RMB million)	2.5	27.0		28.5	5.0
Approximate value of collaterals provided to us (RMB million) (note 3)	9.4	166.3		81.0	18.9
Actual amount indemnified by us (RMB million) (note 4)	2.2	20.7		17.0	5.0
Shortfall between the amount guaranteed by us and the value of collaterals provided to us (note 5)	N/A	N/A		N/A	N/A
Actual loss incurred by us (RMB million)	Nil	0.1		1.1	Nil
Provision for trade receivables recognised in the consolidated statements of profit or loss of our Group (RMB million)	0.8	1.0		1.1	0
Actual loss rate (note 6)	0%	0.01%		0.07%	0%
Status of default cases	No potential or on-going litigation (note 7)	No potential or on-going litigation (note 7)	No potential or on-going litigation in five cases (note 7); enforcement of judgment against collateral in progress in two cases; one on-going litigation (note 8)		Enforcement of judgment against collateral in progress

FINANCIAL INFORMATION

Notes:

1. During the Track Record Period and up to the Latest Practicable Date, all default cases were related to the financial guarantees provided by us; and we had not been required to provide any compensation in respect of the litigation guarantees and/or performance guarantees provided by us.
2. The default rate represents the ratio of the total actual amount indemnified by us to the total outstanding balance of guarantee amount provided by us as at the end of the same period.
3. The value of collaterals provided to us represents the total value of collaterals and/or counter-guarantee provided to us in respect of the guarantee contract(s) for the default case(s) occurred during the relevant year/period, according to our internal valuation based on our valuation method adopted after the 2013 Valuation Capability Enhancement. Further details of the valuation methods are set out in the section headed “Business — Internal control and risk management” in this prospectus.
4. The actual amount indemnified by us also represented the total amount of payments initially made by our Group on behalf of our guarantee clients in default to the relevant banks or financial institutions in respect of default cases occurred during the relevant year/period before realisation of collaterals provided by such clients.
5. During the Track Record Period and up to the Latest Practicable Date, the value of collaterals (according to our internal valuation) exceeds the loan amount guaranteed by us in respect of each of the default cases.
6. The loss rate represents the ratio of the total amount of loss incurred on the default cases (being the total amount indemnified by us net of repayment made by our customers, proceeds from the realisation of collaterals and/or other means of debt recovery) to the total outstanding balance of guarantee amount provided by us as at the end of the same period.
7. For the default case during the year ended 31 December 2010, we recovered the amount we indemnified in full through the realisation of collaterals, the recovery process of which lasted for approximately 29 months since the date when indemnification was made. For the ten default cases during the two years ended 31 December 2012 with no potential or on-going litigation, we fully or partially recovered the amount we indemnified through repayments from our customers or through factoring, the recovery process of which lasted for less than a month and approximately 2 to 24 months since the date when indemnification was made, respectively. We did not realise the relevant collaterals in these ten default cases.
8. In the on-going litigation in respect of such default case, the court accepted (i) our claim against the relevant customers for the repayment of an aggregate amount of approximately RMB2.0 million comprising, among others, the actual amount indemnified by us and the relevant penalty under the guarantee contract on 25 January 2013; and (ii) our application for property preservation over the collaterals provided to us by such customers on 31 January 2013. The first instance for the hearing was held in April 2013, but the defendants were absent for presentation at the court. As at the Latest Practicable Date, the date for the next proceeding is yet to be fixed by the court.

Our Directors believe that the low default rate experienced by us demonstrates our risk assessment and management capability which, in turn, enable us to better control and minimise our credit risks and maintain our profitability. Having prudently considered the individual and collective assessment on the total outstanding balance of aggregate guarantee amount as at 31 May 2013, our Group believes that its estimation of impairment provision for trade and other receivables and losses from guarantee businesses is reasonable and adequate.

Provision policy of our Group

Our Group makes provision on guarantees issued if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a “**loss event**”) and that loss event(s) has an impact on the estimated future cash flows of the guarantees or group of guarantees that can be reliably estimated.

Basis of provision against the outstanding guarantee value

Our Group assesses (either individually or collectively) the contingent liabilities arise from its outstanding guarantee value in accordance with HKFRS 37 and HKFRS 39. If it is determined that our Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities)

FINANCIAL INFORMATION

and if it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimated can be made, then a “Provision for guarantee losses” is recognised and the loss is recognised in the statement of profit or loss. The provisions are determined by using individual and collective assessments for the outstanding guarantees as at the end of the reporting period. Provisions are stated at the present value of the expenditure expected to settle the obligation.

For all non financial guarantees (i.e. performance and litigation guarantees) and those financial guarantees which are considered individually significant, our Group performs individual credit evaluation on the customers to determine whether our Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities).

The historical default rate, loss rate and economy cycle are considered by our Group to be indicators of losses from its financial guarantee business. Default rate is the rate at which guarantee holders default on the guaranteed loans amount that they owe. Loss rate is the rate at which loss incurred by our Group for the defaulted amounts.

For those financial guarantees that are not considered individually significant and those financial guarantees that have been individually assessed, but for which there is no objective evidence of losses, our Group adopts a methodology to collectively assess whether there is objective evidence that losses on group of financial guarantees are already incurred. For the purposes of a collective evaluation of losses, financial guarantees are grouped on the basis of similar risk characteristics and use a methodology which utilised a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management’s historical experience.

If it is probable that an outflow of economic benefits will be required to settle the obligation arising from the individual and collective assessments, provisions will be recognised as liabilities in the consolidated balance sheet item “Liabilities from guarantees” and the losses are included in “impairment and provision (charged) / written back” in the consolidated statement of profit or loss.

Basis of provision of impairment for “payment on behalf of customers”

When customers default on settling the loans advanced from banks, our Group is required to honor the guarantee contracts and required to settle the loans on behalf of customer. Accordingly, our Group records the “Payments on behalf of customers” as “Trade receivables”.

Our Group performs individual credit assessments for those recorded trade receivables. If there is objective evidence of impairment of trade receivables, the loss is measured as the excess of its carrying amount over the present value of the estimated future cash inflows, discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows focuses on individual customer’s financial status and information specific to the customers, including cash flows generated from operation or insurance claims, foreclosure less costs for obtaining and selling the collateral, and any customers’ pledged cash deposit received.

FINANCIAL INFORMATION

For those trade receivables that have been individually assessed, but for which there is no objective evidence of losses, our Group groups these receivables on the basis of similar risk characteristics and collectively assessed for losses. The collective assessment utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

The losses arising from individual and collective assessments are deducted from the carrying value of the "Trade receivables" on the balance sheet and the losses are included in "Impairment and provision (charged) / written back" in the consolidated statement of profit or loss of our Group.

In conclusion, our Group adopts both individual and collective methods to assess impairment for trade and other receivables and losses aroused from guarantees issued. "Impairment provision for trade receivables" is to be made by individual assessment when possible default by customer(s) is anticipated on a case-by-case basis; while "Provision for guarantee losses" shall be made by collective assessment on the outstanding guarantees issued on a portfolio and yearly basis at each year-end date of a financial year during the Track Record Period. Our Group has frequently made individual assessment on the outstanding guarantees issued from time to time prior to any foreseeable customers' default, while collective assessment on the same on a yearly basis at the time of finalisation of the audited consolidated financial statements of our Group.

Amount due from related parties

Amount due from related parties during the Track Record Period consisted of cash advance to related parties, the amounts were unsecured, interest free and repayable on demand, which in aggregate amounted to approximately RMB43.6 million, RMB4.0 million, RMB50,000 and RMB50,000 as at 31 December 2010, 2011 and 2012 and 31 May 2013 respectively.

As advised by our PRC Legal Advisers, the advances to related parties, mainly referring to Success Holdings, by our Group during the Track Record Period did not comply with the relevant PRC laws and regulations for loans and advances, pursuant to which, enterprises engaged in unauthorised lending could be subject to a penalty between one to five times of the income generated under such activities, and the PRC court shall regard the relevant agreement as invalid contract, but given that (i) no interest has been charged by our Group in relation to such advances; (ii) all such advances have been repaid; and (iii) there were no legal disputes in connection with such advances, there was no material risks in relation to being penalised by the relevant regulatory financial authorities to our Group. As at 31 May 2013, all outstanding amounts due from the related parties had been fully settled.

During the Track Record Period, there was cash advance to a staff of RMB50,000 due from the vice general manager of Success Guarantee for business purpose, which has been and will be settled from time to time after his business trips by presenting proof of business trip expenses. As at 31 May 2013, the cash advance of RMB50,000 had still remained outstanding.

FINANCIAL INFORMATION

Other receivables

Included in the other receivables mainly represented the balances receivable from third parties amounted to approximately RMB2.7 million (net of impairment provision of approximately RMB6.4 million) as at 31 December 2010 and 2011, which was factored without recourse to a factoring house, namely Cinda, at RMB2.5 million. During the Track Record Period, our Group's certain amounts of trade receivables from its default customers were also factored to Cinda, because their recoverability was considered remote.

As at 31 May 2013, there was interest on bank deposits receivable of approximately RMB1.5 million.

Deferred and prepaid expenses

As at 31 December 2010, 2011 and 2012 and 31 May 2013, deferred and prepaid expenses amounted to approximately RMB0.3 million, RMB0.8 million, RMB3.7 million and RMB4.7 million mainly comprised the professional fees and expenses incurred and paid for the Listing of our Group.

Accruals and other payables

Accruals and other payables as at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted approximately RMB8.4 million, RMB6.7 million, RMB4.5 million and RMB8.4 million respectively.

As at 31 December 2011 and 2012 and 31 May 2013, other payables mainly consisted of certain expenses payable in respect of the Listing of our Group amounted to approximately RMB1.6 million, RMB2.0 million and RMB5.6 million respectively; other accrued expenses mainly comprised advertising expenses, salaries and staff welfare payables etc. as at the year end dates.

Customer pledged deposits received

The customer pledged deposits received as at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted to approximately RMB103.7 million, RMB40.7 million, RMB12.6 million and RMB3.7 million respectively; of which, approximately RMB61.9 million, RMB20.8 million, RMB2.6 million and RMB2.1 million were classified as current liabilities as at the relevant year end/period-end dates respectively. Customer pledge deposits received represent deposits received from our customers as collateral security or counter-guarantee to our Group's provision of financial and/or non-financial guarantees to them when entering into the respective guarantee agreements. The customer pledged deposits received were interest free. In respect of financial guarantee, the customer pledged deposits received will be refunded to the customers when the customers' interest-bearing loan had been fully repaid to the relevant banks and/or financial institutions and our guarantee obligation has fully been released. In respect of non-financial guarantee, the customer pledged deposits will be refunded to the customers when our litigation and/or performance guarantee obligation has been released.

The decreasing trend of balances of the customer pledged deposits received was mainly due to our Group's practice to lower the reliance on cash or bank deposits as counter-guarantee and replaced by other types of counter-guarantees such as, land use rights, properties, machineries, equipment and etc. during the Track Record Period.

FINANCIAL INFORMATION

Current tax liabilities

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group's current tax liabilities amounted to approximately RMB3.4 million, RMB2,000, RMB3.8 million and RMB1.2 million respectively. Success Guarantee had paid PRC income tax of approximately RMB14.2 million in 2011 in excess of its actual PRC income tax liability of approximately RMB10.8 million for the year ended 31 December 2011, so the excessive tax payment had mostly set-off the current tax liabilities of our Group as at 31 December 2011.

Liabilities from guarantees

Liabilities from guarantees comprised deferred income from provision for financial and non-financial guarantees to customers by our Group, and provision of financial guarantee losses.

The following table sets out the deferred income balances as at each year end dates during the Track Record Period, which were classified under liabilities from guarantees:

	As at 31 December			As at
	2010	2011	2012	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current				
— Deferred income	22,425	25,291	23,815	20,401
— Provision of guarantee losses	<u>6,274</u>	<u>8,241</u>	<u>6,863</u>	<u>7,206</u>
	28,699	33,532	30,678	27,607
Non-current				
— Deferred income	<u>8,168</u>	<u>11,688</u>	<u>7,679</u>	<u>4,434</u>
	<u><u>36,867</u></u>	<u><u>45,220</u></u>	<u><u>38,357</u></u>	<u><u>32,041</u></u>

Deferred income

Our Group received guarantee fee upfront upon signing of the guarantee agreement. Should the guarantee period exceeds one financial year, the guarantee income will be amortized throughout the guarantee period and the unearned portion will be recognized as deferred income as at the relevant year-end dates. Our Group's financial and non-financial guarantee contracts generally ranges from six months to three years.

Provision of guarantee losses

Included in liabilities from guarantees of our Group, provision of guarantee losses as at 31 December 2010 and 2011 and 2012 and 31 May 2013 amounted to approximately RMB6.3 million, RMB8.2 million, RMB6.9 million and RMB7.2 million respectively.

When determining the amounts to be recognised in respect of liabilities arising from the financial guarantee business, our Group's management estimates the provision based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the financial guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.

FINANCIAL INFORMATION

REGULATORY RESERVE

According to the Interim Measures, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year/period, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC, which had a grace period till 31 March 2011. Our Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011. According to the details implementation guidance No. 149 issued by the People's Government of Guangdong Province on the Interim measures, the use of the regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guangdong Province. As at 31 December 2011 and 2012 and 31 May 2013, the balances of regulatory reserve amounted to approximately RMB31.6 million, RMB42.9 million and RMB48.2 million respectively.

KEY FINANCIAL RATIOS

Our Group is principally engaged in the provision of financial and non-financial guarantees and financial consultancy services to enterprises, mainly SMEs, in the PRC. Since our Group has not been involving in manufacturing or trading activities etc., those common working capital management indicators such as inventory turnover days, trade receivable turnover days and trade payable turnover days are not applicable to our situation. However, other common key financial ratios are set out below:

	For the year ended 31 December		For the five months ended 31 May	
	2010	2011	2012	2013
	%	%	%	%
Current ratio	278.7	453.0	673.2	657.4
Return on assets	6.6	8.4	10.2	N/A
Return on equity	11.6	12.5	13.2	N/A

Notes:

1. Current ratio equals current assets divided by current liabilities as at the end of the relevant year/period, and multiplied by 100%.
2. Return on assets is derived by profit attributable to equity shareholders of our Company for the relevant year divided by total assets as at the end of the relevant year and multiplied by 100%.
3. Return on equity is divided by profit attributable to equity shareholders of our Company for the relevant year divided by the weighted average balance of total equity as at the beginning and end of the relevant year and multiplied by 100%.

Our Group's current ratio had a general increasing trend, which increased from approximately 278.7% as at 31 December 2010 to 453.0% as at 31 December 2011, then further to 673.2% as at 31 December 2012. As at 31 May 2013, our Group's current ratio slightly decreased to approximately 657.4% mainly due to the transfer of some cash resources originally under current assets to pledged bank deposits under non-current assets. Such pledged bank deposits will be released when the relevant guarantee contracts mature. The generally continuous increase in the current ratio during the Track Record Period was mainly contributed by the increase in pledged bank deposits and cash and bank deposits as a result of the expansion of our business, while the persistent decrease in current liabilities mainly due to the decrease in customer pledged deposits received as mentioned above.

FINANCIAL INFORMATION

Our Group's return on assets generally increased from approximately 6.6% for the year ended 31 December 2010 to 8.4% for the year ended 31 December 2011, and then to 10.2% as at 31 December 2012. The continuous increase in return on assets was generally in line with the increase in net profit attributable to equity shareholders of our Company during the three years ended 31 December 2012.

Our Group's return on equity had been increasing steadily over the Track Record Period at around 11.6% in 2010, 12.5% in 2011 and up to 13.2% for the year ended 31 December 2012. The continuous increase in return on assets was generally in line with the increase in net profit attributable to equity shareholders of our Company during the three years ended 31 December 2012.

WORKING CAPITAL

	As at 31 December			As at	
	2010	2011	2012	31 May 2013	31 August 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current assets					
Pledged bank deposits	93,785	96,376	103,337	99,227	89,736
Trade and other receivables	62,350	17,707	25,491	17,039	21,603
Bank deposits with original maturity over three months	—	—	—	35,000	—
Cash and bank deposits	<u>133,128</u>	<u>166,577</u>	<u>163,155</u>	<u>114,569</u>	<u>196,397</u>
Total current assets	<u>289,263</u>	<u>280,660</u>	<u>291,983</u>	<u>265,835</u>	<u>307,736</u>
Current liabilities					
Receipts in advance	1,425	975	1,838	1,113	1,528
Accruals and other payables	8,384	6,685	4,477	8,380	7,304
Customer pledged deposits received	61,901	20,764	2,600	2,100	—
Current tax liabilities	3,398	2	3,777	1,237	803
Liabilities from guarantees	<u>28,699</u>	<u>33,532</u>	<u>30,678</u>	<u>27,607</u>	<u>25,672</u>
Total current liabilities	<u>103,807</u>	<u>61,958</u>	<u>43,370</u>	<u>40,437</u>	<u>35,307</u>
Net current assets	<u>185,456</u>	<u>218,702</u>	<u>248,613</u>	<u>225,398</u>	<u>272,429</u>

Our Group's current assets primarily comprise pledged bank deposits, trade and other receivables and cash and bank deposits. Our current liabilities primarily comprise receipts in advance, accruals and other payables, customer pledged deposits received, current tax liabilities and liabilities from guarantees (including deferred income and provision of guarantee loss).

FINANCIAL INFORMATION

Our Group had been in net current asset position during the Track Record Period and the working capital (net current asset) had been improving from approximately RMB185.5 million as at 31 December 2010 to RMB248.6 million as at 31 December 2012, but slightly decreased to approximately RMB225.4 million as at 31 May 2013 mainly due to the transfer of some cash resources originally under current assets to pledged bank deposits under non-current assets. Such pledged bank deposits will be released when the relevant guarantee contracts mature. Such increase was mainly contributed by the combine effect of (i) the increase in pledged bank deposits and cash and bank deposits by approximately RMB39.6 million from approximately RMB226.9 million as at 31 December 2010 to approximately RMB266.5 million as at 31 December 2012; and (ii) the significant decrease in customer pledged deposits received by approximately RMB59.3 million from approximately RMB61.9 million as at 31 December 2010 to merely RMB2.6 million as at 31 December 2012.

As at 31 August 2013, being latest practicable date for ascertaining the financial information of our Group, our Group had net current assets of approximately RMB272.4 million, mainly comprising cash and bank deposits (excluding pledged bank deposits) of approximately RMB196.4 million. The considerable improvement in net current assets was mainly due to the transfer of some cash resources from pledged bank deposits previously grouped under non-current assets as at 31 May 2013 to cash and bank deposits as at 31 August 2013.

Our Directors are of the opinion that, taking into account the financial resources available to us and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus.

INDEBTEDNESS

As at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 August 2013, our Group did not have any other outstanding mortgages, charges, debentures, bank overdrafts loans, liabilities under acceptance or other indebtedness, hire purchase and finance lease commitments or other material contingent liabilities.

As at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 August 2013, our Group had an aggregate customers' outstanding guarantee amount of approximately RMB1,066.5 million, RMB1,544.5 million, RMB1,483.5 million, RMB1,539.1 million and RMB1,421.6 million respectively.

FINANCIAL INFORMATION

BALANCES WITH RELATED PARTIES

The following table sets out the outstanding balances of the amounts due from and due to related parties as at each year/period ended during the Track Record Period:

	As at 31 December			As at
	2010	2011	2012	31 May
	RMB'000	RMB'000	RMB'000	2013 RMB'000
<i>Amount due from related parties</i>				
Foshan Finance	—	—	54,300	54,300
Xiangsheng Steel	—	—	101	
Success Holdings	43,412	3,860	—	—
Success Insurance	50	50	—	—
Mr. Zhang Tiewei	100	—	—	—
Mr. Yuan Chen	50	50	50	50
	<u>43,612</u>	<u>3,960</u>	<u>54,451</u>	<u>54,350</u>
<i>Amount due to related parties</i>				
Foshan Dacheng Investment Co., Ltd.	—	3,919	—	—
	<u>—</u>	<u>3,919</u>	<u>—</u>	<u>—</u>

A. Joint development and sale and purchase of a commercial building

The amount due from Foshan Finance as at 31 December 2012 of RMB54.3 million in aggregate was derived from a related party transaction between Success Guarantee and Foshan Finance amounted to RMB27.0 million, and a related party transaction between Success Asset and Foshan Finance amounted to RMB27.3 million. Both related party transactions were in connection with the joint development or sale and purchase of a commercial building (the “**Commercial Building**”) located at Foshan Xincheng (佛山新城) of Foshan City, the Guangdong Province, the PRC. The joint development project involved Success Guarantee, Foshan Finance and six other parties (the “**Six Other Parties**”).

The Six Other Parties involved in the joint development project are Success Credit (an associate of our Group), Success Futures, 佛山市奇雅企業管理有限公司 (Foshan Qiya Enterprise Management Company Limited) (“**Foshan Qiya**”) ^{Note 1}, 佛山市盛世集成投資有限公司 (Foshan Shengshi Jicheng Investment Company Limited) (“**Shengshi Jicheng**”) ^{Note 2}, 佛山市盛世嘉友投資有限公司 (Foshan Shengshi Jiayou Investment Company Limited) (“**Shengshi Jiayou**”) ^{Note 3} and 佛山市順德集成投資發展有限公司 (Foshan Shunde Jicheng Investment Development Limited) (“**Shunde Jicheng**”) ^{Note 4}. The Six Other Parties are related parties of our Group.

Notes:

1. Foshan Qiya is a limited liability company established under the laws of the PRC on 31 March 2012 which is owned as to 51% by Guangdong Jiayou. Guangdong Jiayou is owned as to 35% by Success Holdings (a company wholly owned by Mr. Zhang, Mr. Xu, and Mr. Pang), 33.15% by Mr. Zhang, 16.25% by Mr. Xu, and 15.6% by Mr. Pang.
2. Shengshi Jicheng is a limited liability company established under the laws of the PRC on 6 April 2012 which is owned as to 51% by Foshan Finance and 49% by Foshan Success Industry Investment Company Limited (佛山市集成產業投資有限公司). Both Foshan Finance and Foshan Success Industry Investment Company Limited are wholly owned by Mr. Zhang, Mr. Xu and Mr. Pang.

FINANCIAL INFORMATION

3. Shengshi Jiayou is a limited liability company established under the laws of the PRC on 1 April 2012 which is owned as to 51% by Foshan Finance and 49% by Foshan Success Credit Rating Company Limited (佛山市集成資信評估有限公司). Both Foshan Finance and Foshan Success Credit Rating Company Limited are wholly owned by Mr. Zhang, Mr. Xu and Mr. Pang.
4. Shunde Jicheng is a limited liability company established under the laws of the PRC on 10 April 2012 which is owned as to 68% by Foshan Finance. Foshan Finance is wholly owned by Mr. Zhang, Mr. Xu and Mr. Pang.

As advised by our PRC Legal Advisers, the land for the Commercial Building was specified to be used for commercial and financial purposes and it is common and legal for the relevant local authority to impose specific conditions under the relevant notice of tender, which in this case stipulated that the bidder has to be (i) a financial service corporation holding a financial licence issued by China Securities Regulatory Commission, China Banking Regulatory Commission or China Insurance Regulatory Commission; or (ii) an entity authorised by the local financial authority to set up a financial service corporation. Since Foshan Finance has the financial licence as required under the notice of tender, Foshan Finance was elected to act as the representative to lead the whole tender and development process.

After the successful tender, Success Guarantee, Foshan Finance and the Six Other Parties have entered into a land use rights grant contract (“**Land Use Rights Grant Contract**”) with 佛山市國土資源和城鄉規劃局 (Foshan Land Resources and Urban Planning Bureau) pursuant to which Success Guarantee has subscribed for 3.5% interest of the land use rights over the land of the Commercial Building. Foshan Finance has fully paid the consideration to the relevant governmental bureau on behalf of Success Guarantee and the Six Other Parties. Foshan Finance’s principal business activities are the provision of financial and investment related services as authorised under its business licence, and its registered and paid-up capital amounted to RMB220 million. Under Foshan Finance’s business licence, it is authorised to engage in, amongst other financial related services, investment in the modern financial industry, investment in the financial services industry, capital management, asset management, business in the sales of insurance products, etc.. We are advised by our PRC Legal Advisers that Foshan Finance does not need to be a qualified PRC property developer for the whole tender and development process. Hence, Foshan Finance engaged a PRC qualified constructor for the construction of the Commercial Building.

After obtaining the land development right, in order to fix and secure the costs under the joint development project, Success Guarantee entered into an agreement on 6 April 2012 with Foshan Finance for the acquisition of office premises of 4,000 sq.m. in the Commercial Building upon its completion at a consideration of RMB27.0 million (which included approximately RMB6.1 million, representing 3.5% of the costs of the land use rights of RMB174.48 million, paid under the Land Use Rights Grant Contract). Such consideration was determined with reference to the cost of land use rights plus the anticipated construction costs of the Commercial Building as agreed among the parties. Pursuant to the agreement, the consideration was payable in one lump sum on or before 15 April 2012 and the same was paid directly to Foshan Finance for settling part of the construction costs of the Commercial Building on 12 April 2012.

Success Asset did not participate in the tender of the land of the Commercial Building. In October 2012, Success Asset decided to acquire the office premises of 1,800 sq.m. located at the podium level of the Commercial Building upon its completion. At that time, a PRC qualified constructor, 開平市住宅建築工程集團公司 (Kaiping Residential Construction Engineering Group Company), an

FINANCIAL INFORMATION

Independent Third Party, has already been subcontracted and appointed as the constructor for the Commercial Building. A tripartite agreement was therefore entered into between Success Asset, Foshan Finance and the constructor under which Success Asset can acquire the office premises upon completion of the Commercial Building at a consideration of RMB27.3 million, which was determined based on an internal valuation report which referred to, extracted or based on a professional valuation report prepared by an external professional valuer. Due to the confidentiality agreement with the external professional valuer, the report could not be disclosed. However, the internal valuation report (which was prepared by our Group's staff who were not professional valuers) referred to, extracted or based on the data used in the professional valuation report and the publicly available market data, such as the prices and rentals of similar properties in the vicinity. Pursuant to the tripartite agreement, the consideration was payable in one lump sum on or before 16 October 2012 and the same was paid directly to the constructor on behalf of Foshan Finance on 16 October 2012 for settling part of the construction costs due to administrative convenience.

In light of the details and rationale of the prepayments on the acquisition of properties, the Joint Sponsors consider that the prepayments shall not be regarded as a loan or financial assistance provided to our Controlling Shareholders by nature.

The purchase price per square metre of office premises acquired by Success Guarantee and Success Asset were RMB6,750 and RMB15,000, respectively. The difference in price per square metre between them was mainly due to the difference in nature and location of the premises. The premises chosen by Success Guarantee were typical office premises located in the Commercial Building, whereas the premises chosen by Success Asset were located at the podium level which have a higher floor to ceiling clearance comparing to typical office level and have easy accessibility by members of the public. As a result of the more versatile nature of podium level premises, they generally have a much higher purchase price comparing to other typical office premises. As far as our Directors are aware, the prevailing market rate of property in the vicinity of the Commercial Building for podium level premises ranged from approximately RMB18,000 to RMB78,000 and for office tower premises ranged from approximately RMB8,400 to RMB21,000. The difference in price range for each category of premises is heavily dependent on the age, location and facilities of the relevant building. Taking into account that the Commercial Building will be brand new and located in the heart of the new commercial district in Foshan City, the Guangdong Province, the PRC, our Directors and the Joint Sponsors consider that the prepayment arrangement and purchase price paid by Success Guarantee and Success Asset were on normal commercial terms and negotiated at arm's length basis with reference to the comparable market price in the close vicinity.

Since 2005, Success Guarantee has leased and occupied its current office premises, of which the landlord is a local bank in the PRC, an Independent Third Party. The size of such office premises is 1,100 sq.m. with a monthly rent of RMB42 per sq.m., which is a relatively favourable rental rate as compared to similar office premises in the vicinity. As confirmed by our Directors, such relatively favourable rental rate is attributable to the facts that (i) the office premises were in excess and have been left vacant by the landlord before our occupation and the term of the lease is generally not long; (ii) the building is relatively old and the building facilities are out-dated; and (iii) the parking facilities and surrounding environment are not very satisfactory.

FINANCIAL INFORMATION

Despite the relatively favourable rental rate of our current office premises, our Group participated in the joint development and sale and purchase of the Commercial Building upon considering the following commercial reasons: (i) Success Guarantee and Success Asset were able to fix the purchase price during the construction stage to protect our Group from any rental fluctuation in the future; (ii) as the headcount of our Group is expected to increase considerably in the coming years, the new premises acquired by Success Guarantee which consist of 4,000 sq.m. of office area can meet our development need for more office space; (iii) the Commercial Building is a higher grade office building located in prime commercial location of Foshan City, the Guangdong Province, the PRC and the proposed name of the Commercial Building will incorporate the trade name of “集成 (Success or Jicheng)”, which we consider to be able to help promote and enhance the corporate image of our Group; and (iv) the current office premises had only one 80 sq.m. meeting room for reception, negotiation, meeting and training purposes, and there were insufficient space for computer server and documentation storage. In addition, some departments did not have their own designated departmental area. Our Directors considered that even though our Group can continue to use the current office premises, the new premises which have sufficient floor area can better cater for our business development needs and it is in the best interests of our Group and our Shareholders as a whole to participate into the joint development and sale and purchase of the Commercial Building.

Success Credit, Success Futures and Shunde Jicheng had also entered into similar agreements with Foshan Finance as Success Guarantee; and their transaction considerations were also assessed and determined on the same basis as that of Success Guarantee. On the other hand, Foshan Finance together with Foshan Qiya, Shengshi Jicheng and Shengshi Jiayou are responsible for the financing of rest of the building which had not been taken up by other parties, and they did not enter into agreements and payment arrangement similar to that of Success Guarantee. The reasons for the differences in the payment arrangements are due to each party’s different financial consideration and acceptable risk level.

Construction of the Commercial Building has been commenced in March 2013 and was at the stage of excavating for the foundation of the building as at the Latest Practicable Date. The construction is expected to complete by 31 March 2016.

The Commercial Building have been contracted to be sold to Success Guarantee, Success Asset and other parties upon completion of the construction of the building. Both aforesaid agreements can be terminated upon mutual consent of the respective parties. According to the aforesaid agreements, Success Guarantee and Success Asset have prepaid RMB54.3 million in total to purchase the agreed floors of building for own office use, and Foshan Finance has the obligation to deliver the agreed floors to our Group after the completion of the construction of the building. In the event that Foshan Finance fails to or delays in the transfer of the office premises which leads to Success Guarantee and Success Asset revoking their respective agreement, the aforesaid prepayments are fully refundable from Foshan Finance together with a default interests of 10% per annum. Under this joint development project and sale and purchase arrangement, Success Guarantee and Success Asset, respectively could fix the purchase price during the construction stage where the prepayments will form part of the construction costs of the Commercial Building. Furthermore, under the respective agreements, Success Guarantee and Success Asset would not be liable to any party for any additional charges for the office premises. As advised by the PRC Legal Advisers, the RMB54.3 million prepayments to Foshan Finance represent the purchase price of the agreed floors of building which include the cost

FINANCIAL INFORMATION

of land use rights and the development cost. In case the transaction is revoked, upon refund of the aforesaid prepayment, Success Guarantee has the obligation to transfer the land use right to Foshan Finance. Because there are chances that Foshan Finance will not be able to deliver the office building on time and the transaction may be revoked, the land use rights may be transferred to Foshan Finance accordingly. In connection with this, our Directors considered that our Group will only be able to get benefit from the use of the land and building upon the delivery of the completed office building. The risk and benefits associated with the land use rights have not been transferred to our Group yet. Therefore, it is appropriate to account for the entire amount paid as prepayment under the relevant accounting standards, prior to the completion of the joint development project and proper transfer of the premises to Success Guarantee and Success Asset.

The whole development project is estimated to cost around RMB900 million, including the costs of the land of RMB174.48 million which had been fully settled in October 2012. Also taking into account the funds raised from the joint development of the Commercial Building have amounted to RMB433 million, the total funds raised for this project have amounted to approximately 50% of the total development costs. In the PRC, it is the common practice that if a development project has raised over 40% of the total funds, banks generally are willing to finance the remaining funding for the project. This development project has already obtained the letter of intent for the loan facility from a bank, indicating that the development project has passed the bank's preliminary assessment for the granting of banking facilities for the completion of the project.

Given that (i) the purchase price for the land and part of the construction costs had already been paid to the relevant governmental authority and the constructor, respectively; (ii) Foshan Finance has already obtained a letter of intent in obtaining the funds for the completion of the project; and (iii) a constructor with extensive experience in construction and project management was engaged, our Directors believed that there would be sufficient resources and experience to complete the construction of the Commercial Building. Our Directors also confirm that during the course of the construction, representatives of Success Guarantee, Foshan Finance and the Six Other Parties will form a committee and hold meeting to jointly monitor the development project and formulate a management system in reviewing the progress of the construction to ensure that the Commercial Building will be completed as planned in March 2016. Our Company will also disclose the progress of the development of the Commercial Building in its interim and annual report after the Listing.

In view that the development project has already raised over 50% of the total development costs and has passed the preliminary assessment of the bank, our Directors consider that the chance that Foshan Finance cannot complete the development of the building is relatively remote.

However, as agreed between the relevant parties, in order to minimise the loss to our Group in the event that Foshan Finance fails to complete the Commercial Building and unable to repay the said prepayments under the aforesaid agreements, on 21 October 2013, two supplemental agreements were entered into by Foshan Finance with Success Guarantee and Success Asset, respectively, pursuant to which (i) Foshan Finance agreed to refund approximately RMB20.9 million to Success Guarantee and RMB27.3 million to Success Asset (the refund amount to Success Guarantee is equal to the total prepayment amount of RMB27 million less the land use right premium of approximately RMB6.1 million, being the 3.5% of the costs of the land use rights of RMB174.48 million, which were paid by Foshan Finance to the relevant governmental bureau for and on behalf of and attributable to Success Guarantee); and (ii) upon the premises becoming transferable according to the relevant PRC

FINANCIAL INFORMATION

rules and regulations and the issue of the relevant acknowledgement notices by Foshan Finance, Success Guarantee and Success Asset are required to pay the balance of the consideration of approximately RMB48.2 million to Foshan Finance within 10 days from the receipt of the acknowledgement notices. In the event that agreements are revoked as a result of Foshan Finance's failure or delay in the transfer of the premises, the remaining prepayments of approximately RMB6.1 million will be fully refundable from Foshan Finance together with a default interest payment of 10% per annum. As at 23 October 2013, the aggregated sum of approximately RMB48.2 million refunded to the Success Guarantee and Success Asset, respectively.

Our Directors confirmed that the RMB48.2 million refunded by Foshan Finance is intended to be used as general working capital of our Group. Our Directors confirmed that in the future, upon completion of the Commercial Building or when the premises becoming transferable according to the relevant PRC rules and regulations, the outstanding payment of RMB48.2 million will be financed by internal resources of our Group at that time.

Save for the agreements entered into by the relevant parties as set out above, no further agreement will be entered into for the acquisition of the premises by Success Guarantee and Success Asset. Our PRC Legal Advisers confirmed that:

- (i) the two agreements and the two supplemental agreements entered into by Success Guarantee and Success Asset, respectively are legally binding agreements for the premises, and there is no legal impediment in the PRC for Success Guarantee and Success Asset to obtain the premises upon completion of the Commercial Building pursuant to the agreements;
- (ii) the two agreements and the two supplemental agreements comply with all the relevant laws and regulations in the PRC and do not violate any laws related to the pre-sale of properties in PRC nor constitute the pre-sales of properties by Foshan Finance which subject to 《城市商品房預售管理辦法》 (Administrative Rules for the Pre-Sale of Commercial Properties in Urban Areas) (“**Pre-sale Rules**”). Pursuant to the Pre-sale Rules, pre-sale of commercial properties means the pre-sale of commercial properties which is still at the stage of construction by a property developer to unspecified purchasers of the public for a price. Property developers who wish to pre-sale the properties shall obtain 《商品房預售許可證》 (licence to the pre-sale of properties), otherwise, no pre-sale of properties will be allowed without such licence. As advised by our PRC Legal Advisers, the arrangements of Success Guarantee and Success Asset, respectively, do not constitute a pre-sale under the Pre-sale Rules and therefore do not subject to the requirements under the Pre-sale Rules;
- (iii) as Foshan Finance settled the 3.5% land use right premium for and on behalf of Success Guarantee for the 3.5% land use rights attributable to Success Guarantee (which could be evidenced by the land use right certificate issued by the relevant governmental bureaux in September 2013), such conducts demonstrated that the prepayment to Foshan Finance by Success Guarantee included the premium for the 3.5% land use rights. Such intention further supported by the supplemental agreement dated 21 October 2013 entered into between Success Guarantee and Foshan Finance pursuant to which Foshan Finance agreed to refund the full prepayment to Success Guarantee less the land use right premium of approximately RMB6.1 million, being the 3.5% of the costs of the land use right premium of RMB174.48 million;

FINANCIAL INFORMATION

- (iv) pursuant to the land use right certificate issued by the relevant governmental bureaux in September 2013, Success Guarantee owns 3.5% land use rights over the land. Due to the principle of unity of land and property in the PRC, Success Guarantee will also be entitled to own 3.5% over the Commercial Building upon completion by paying the amount of approximately RMB20.9 million (being the outstanding sum pursuant to the supplemental agreement) to Foshan Finance. No transfer has to be made to transfer the 3.5% land use rights from Success Guarantee back to Foshan Finance upon obtaining the premises of the Commercial Building. In an unlikely event that Foshan Finance fails to complete the Commercial Building and refunds the land use right premium of approximately RMB6.1 million in full to Success Guarantee, as Foshan Finance settled the 3.5% land use rights premium for and on behalf of Success Guarantee, application should be made to the relevant governmental bureaux to amend the land use right certificate so as to reflect the change in the ownership of the land use rights from Success Guarantee to Foshan Finance. Upon completion of the Commercial Building, Success Guarantee will be entitled to obtain the office premises of 4,000 sq.m. in the Commercial Building as agreed pursuant to the aforementioned agreement dated 6 April 2012 entered into between Success Guarantee and Foshan Finance. In the event that the office premises obtained by Success Guarantee is not accounted for the share of 3.5% of the Commercial Building, application should be made to the relevant governmental bureaux to amend the land use right certificate so as to reflect the actual percentage of land use right corresponding to the office premises obtained by Success Guarantee; and
- (v) in an unlikely event that that Foshan Finance was not able to deliver the office building and refund the cost of land (RMB6.1 million) to our Group, our Group will be able to realise its 3.5% land use rights in the land of the Commercial Building, subject to the approval from the relevant governmental bureau by (i) selling to other parties (or their associated companies) under the land use right certificate; or (ii) selling or auctioning off to other third parties unrelated to this development project.

B. Cash advance to staff

As at 31 December 2012 and 31 May 2013, there was cash advance to a staff of RMB50,000 due from the vice general manager of Success Guarantee for business purposes throughout the Track Record Period, which has been and will be settled from time to time after his business trips by presenting proof of business trip expenses and obtaining management approval by our Group. As at the Latest Practicable Date, such outstanding amounts due from related parties had not been settled.

The balances with the related parties are unsecured, interest free and have no fixed terms of repayment.

CAPITAL EXPENDITURE

Our Group's capital expenditure incurred for the three years ended 31 December 2012 and the five months ended 31 May 2013 was minimal of approximately RMB111,000, RMB761,000, RMB286,000 and RMB44,000 respectively. The capital expenditure mainly represents acquisitions of motor vehicle and office equipment during the Track Record Period. Our Group's business nature and operation have been relying on our management and professional staff's knowledge and expertise instead of certain capital formation for plant and machinery etc..

FINANCIAL INFORMATION

In 2012, our Group had made prepayments of RMB54.3 million as the total consideration for acquiring properties in Foshan City, the Guangdong Province, the PRC as set out in the section headed “Financial information — Balances with related parties” above. The properties are floors of a commercial building, and will be held for own use by our Group.

CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

Our Group’s contractual commitments are mainly related to the outstanding guarantee amount of our customers in relation to our financial and non-financial guarantee business and the leases of our Group’s office premises.

Outstanding guarantees issued

A summary of our outstanding guarantee amount as at each year/period end during the Track Record Period is set out below:

	As at 31 December			As at
	2010	2011	2012	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial guarantees	1,023,661	1,411,183	1,367,725	1,409,594
Litigation guarantees	24,387	74,850	57,272	71,015
Performance guarantees	<u>18,500</u>	<u>58,500</u>	<u>58,500</u>	<u>58,500</u>
Total	1,066,548	1,544,533	1,483,497	1,539,109
Net assets of Success Guarantee (<i>Note 1</i>)	250,828	340,130	346,624	366,341
Multiples	4.25	4.54	4.28	4.20

The total maximum guarantees issued represent the maximum potential loss that would be recognised if counter-parties failed completely to perform as contracted.

Success Guarantee has complied with statutory requirements under the Interim Measures that the total outstanding guarantee balance of a financial guarantee company may not exceed 10 times of its net assets during the Track Record Period. Particularly, our Group monitors regularly the residual balance of outstanding guarantees for single customers and multiples of the total outstanding guarantees in relation to the net assets of Success Guarantee, so as to keep the capital risk within an acceptable limit.

Note 1: The amounts of net assets of Success Guarantee as at 31 December 2010, 2011 and 2012 are extracted from its audited statutory financial statements while the amount of net assets of Success Guarantee as at 31 May 2013 is extracted from its unaudited PRC management accounts, which were prepared in accordance with the relevant PRC accounting standards, relevant laws and regulation in the PRC, whereas our consolidated financial information included in this prospectus is prepared in accordance with HKFRSs. The net assets of Success Guarantee as determined under HKFRSs are approximately RMB234,699,000, RMB319,204,000, RMB367,508,000 and RMB377,459,000 as at 31 December 2010, 2011 and 2012 and 31 May 2013, respectively. The differences between the net assets of Success Guarantee determined under the two accounting standards are primarily related to the recognition of provision for financial guarantee losses and, to a less extent, the timing of guarantee fee income recognition.

FINANCIAL INFORMATION

Leasing commitment

Future minimum rental payable under non-cancellable operating lease of our Group in respect of land and buildings at the end of each reporting date are as follows:

	As at 31 December			As at
	2010	2011	2012	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	562	499	135	436
After 1 year but less than 5 years	<u>473</u>	<u>58</u>	<u>111</u>	<u>72</u>
	<u>1,035</u>	<u>557</u>	<u>246</u>	<u>508</u>

DISTRIBUTABLE RESERVES

There was no reserve available for distribution to our Shareholders as at 31 May 2013, as our Company was incorporated on 12 January 2012. It has not carried out any business since the date of its incorporation save for the transactions related to the Reorganisation.

Our Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011, which had a grace period till 31 March 2011. As at 31 December 2011 and 2012 and 31 May 2013, the balances of regulatory reserve amounted to approximately RMB31.6 million, RMB42.9 million and RMB48.2 million respectively.

As at 31 May 2013, our Group had retained earnings available for distribution of dividend of approximately RMB58.0 million, after our Group's setting aside the accumulated amount of the regulatory reserve of approximately RMB48.2 million for the five months ended 31 May 2013.

DIVIDEND POLICY

The payment and the amount of dividends will be at the discretion of our Directors and will depend on our Group's future operations and earnings, capital requirements and surplus, general financial conditions and other factors which our Directors consider to be relevant. Our Group currently does not have a fixed dividend policy. While we intend to make dividend payment in the future, the form, frequency and amount of future dividends on our Shares will depend on the level of cash and retained earnings, the results of operations, the capital expenditure requirements, the expansion and/or investment plans and other factors that our Directors may deem appropriate. There is no assurance that dividends will be paid in the future. Neither will there be any assurance regarding the amount or timing of any dividends that will be paid in the future.

During the Track Record Period, in order to maintain an adequate level of working capital and net asset value for continuous business development, our Group did not declare any dividend. As a part of the continuing evaluation of our Group's dividend policy, management considered that for the purpose of business development, the undistributed earnings of Success Guarantee amounted to approximately RMB63.0 million as at 31 May 2013 will not be distributed in the foreseeable future.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 May 2013 and there is no material adverse event since 31 May 2013, including any shortfall of working capital or deteriorating cash position after the Track Record Period, which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

Our Directors confirm that there has been no material adverse change in the business and financial position of our Group during the period from 31 May 2013 up to the date of this prospectus and there is (i) no material decrease in the valuation of the counter-guarantees and collaterals provided to our Group under the relevant counter-guarantee agreements; and (ii) no material increase in the amount of our Group's provision for trade receivables and financial guarantee losses or actual financial guarantee losses.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk mainly arises from credit risk, currency risk and interest rate risk.

Credit risk

Credit risk primarily arises from the possibility that a customer or counter-party in the transaction may default, leading to losses. Credit risk is primarily attributable to unexpired financial guarantees issued by our Group. Our Group has entered into financial guarantee contracts in which it has guaranteed the banks the repayment of loans entered into by customers of our Group. Our Group has the obligation to compensate banks for the losses they would suffer if customers fail to repay.

Our Group's risk management committee is tasked with organising and coordinating our Group's risk management and internal control. The committee is comprised of our Group's internal personnel, including the general manager of Success Guarantee, the senior vice general manager and the vice general manager of Success Guarantee, the risk control director of Success Guarantee and an administrative secretary. The committee is responsible for (i) designing and implementation of overall risk management internal control policies and procedures and establishing appropriate risk appetite; (ii) designing and execution of due diligence procedures; (iii) reviewing the creditworthiness of customers before providing guarantees to them.

Our Group has taken measures to identify credit risks arising from financial guarantees issued. Our Group manages credit risk at every stage along the financial guarantee approval process, including pre-transaction, in-transaction and post-transaction monitoring processes. Our Group conducts due diligence and evaluates customers by internal credit assessment system during the pre-approval process. Financial guarantees issuance is subject to approval of our Group's risk management committee.

FINANCIAL INFORMATION

The project managers assigned to each case monitor the post-transaction status of the customers. Each manager is responsible to look after a number of customers. They visit the customers regularly to understand their operation and financial status by checking their financial reports, sale contracts, sale invoices, value added tax filing documents, utility bills and bank statements and others relevant documents.

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of our Group's operating results to specific industries or geographical locations. As our Group mainly operates its businesses in Guangdong Province of the PRC, there exists a certain level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the local economic conditions.

Our Group has certain level of concentration of exposure to manufacturing and processing industry in respect of total maximum guarantee issued at 31 December 2010, 2011 and 2012 and 31 May 2013. The maximum exposure to credit risk in respect of total outstanding guarantees at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted to approximately RMB1,066.5 million, RMB1,544.5 million, RMB1,483.5 million and RMB1,539.1 million respectively, but our Directors consider that the probable risk exposure for taking up such guarantee liabilities by our Group in full would be very remote.

Our Group makes provision on guarantees issued if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the guarantees or group of guarantees that can be reliably estimated.

Basis of provision against the outstanding guarantee value

Our Group assesses (either individually or collectively) the contingent liabilities arisen from its outstanding guarantee value in accordance with HKFRS 37 and HKFRS 39. If it is determined that our Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities) and if it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimated can be made, a "provision of guarantee losses" is recognised and the loss is recognised in the statement of profit or loss. The provisions are determined by using individual and collective assessments for the outstanding guarantees as at the end of the reporting period. Provisions are stated at the present value of the expenditure expected to settle the obligation.

For all non-financial guarantees (i.e. performance and litigation guarantees) and those financial guarantees which are considered individually significant, our Group performs individual credit evaluation on the customers to determine whether our Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities).

The historical default rate, loss rate and economy cycle are considered by our Group to be indicators of losses from its financial guarantee business. Default rate is the rate at which guarantee holders default on the guaranteed loans amount that they owe. Loss rate is the rate at which loss incurred by our Group for the defaulted amounts.

FINANCIAL INFORMATION

For those financial guarantees that are not considered individually significant and those financial guarantees that have been individually assessed, but for which there is no objective evidence of losses, our Group adopts a methodology to collectively assess whether there is objective evidence that losses on group of financial guarantees are already incurred. For the purposes of a collective evaluation of losses, financial guarantees are grouped on the basis of similar risk characteristics and use a methodology which utilised a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

If it is probable that an outflow of economic benefits will be required to settle the obligation arising from the individual and collective assessments, provisions will be recognised as liabilities in the consolidated balance sheet item "liabilities from guarantees" and the losses are included in "Impairment and provision (charged) / written back" in the consolidated statement of profit or loss.

Basis of provision of impairment for "Payment on behalf of customers"

When customers default on settling the loans advanced from banks, our Group is required to honor the guarantee contracts and required to settle the loans on behalf of customers. Accordingly, our Group records the "Payments on behalf of customer" as "Trade receivables".

Our Group performs individual credit assessments for those recorded trade receivables. If there is objective evidence of impairment of trade receivables, the loss is measured as the excess of its carrying amount over the present value of the estimated future cash inflows, discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows focuses on individual customer's financial status and information specific to the customers, including cash flows generated from operation or insurance claims, foreclosure less costs for obtaining and selling the collateral, and any customers' pledged cash deposit received.

For those trade receivables that have been individually assessed, but for which there is no objective evidence of losses, our Group groups these receivables on the basis of similar risk characteristics and collectively assessed for losses. The collective assessment utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

The losses arising from individual and collective assessments are deducted from the carrying value of the "Trade receivables" on the balance sheet and the losses are included in "Impairment and provision (charged) / written back" in the consolidated statement of profit or loss of our Group.

In conclusion, our Group adopts both individual and collective methods to assess impairment for trade and other receivables and losses aroused from guarantees issued. "Impairment provision for trade receivables" is to be made by individual assessment when possible default by customer(s) is anticipated on a case-by-case basis; while "Provision for guarantee losses" shall be made by collective assessment on the outstanding guarantees issued on a portfolio and yearly basis at each year-end date

FINANCIAL INFORMATION

of a financial year during the Track Record Period. Our Group has frequently made individual assessment on the outstanding guarantees issued from time to time prior to any foreseeable customers' default, while collective assessment on the same on a yearly basis at the time of finalisation of the audited consolidated financial statements of our Group.

Our Group's other credit risk is attributable to other receivables, bank deposits and security deposits. Our Group's management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits and security deposits of our Group is mainly held with well-known financial institutions. Our Group's management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to our Group.

In respect of other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Currency risk

Individual company within our Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they related.

Our Group's businesses are principally conducted in RMB and most of our Group's monetary assets and liabilities are denominated in RMB. Accordingly, the Directors considered that our Group's exposure to foreign currency risk is not significant during the Track Record Period and in the foreseeable future.

On the other hand, RMB is not freely convertible currency and the PRC Government may at its discretion restrict to foreign currencies for current account transactions in the future. Changes in foreign exchange control system may prevent our Group from satisfying sufficient foreign currency demands and our Group may not be able to pay dividend in foreign currencies to our equity shareholders.

Interest rate risk

Our Group is principally engaged in the provision of financial and non-financial guarantees and financial consultancy services. Our Group's interest rate risk arises primarily from deposits with banks. Deposits with banks are mainly at floating rates stipulated by the People's Bank of China. Our Group's interest rate profile is monitored by management and our Directors consider that our Group's exposure to market risk for changes in interest rate is not significant during the Track Record Period. On such basis, no sensitivity analysis was prepared for pledged bank deposits and bank balances as the financial impact arising from the changes in interest rates was minimal for the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the equity owners of our Company as of 31 May 2013 as if the Global Offering had taken place on 31 May 2013.

FINANCIAL INFORMATION

This pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 May 2013 or at any future date.

	Consolidated net tangible assets attributable to the equity owners of our Company as at 31 May 2013	Estimated net proceeds from the Global Offering	Pro forma adjusted net tangible assets	Pro forma adjusted net tangible assets per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price of HK\$1.80 per Share	416,238	117,185	533,423	1.33	1.68
Based on an Offer Price of HK\$2.80 per Share	416,238	193,960	610,198	1.53	1.93

Notes:

- (1) The consolidated net tangible assets attributable to equity owners of our Company as at 31 May 2013 is based on the consolidated net assets attributable to the equity owners of our Company of approximately RMB416 million as at 31 May 2013.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK\$1.80 and HK\$2.80 per Share after deduction of the underwriting fees and other related expenses payable by our Company and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted or to be granted under the Share Option Schemes. The estimated net proceeds have been converted to Renminbi at the PBOC rate of HK\$1.00 to RMB0.7915 prevailing on 18 October 2013.
- (3) The pro forma adjusted net tangible assets are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares are expected to be in issue following the Global Offering (including 100,000,000 Shares newly issued upon completion of the Global Offering) and the respective Offer Prices of HK\$1.80 and HK\$2.80 per Share, but do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted or to be granted under the Share Option Schemes.
- (4) The unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong Dollar at the PBOC rate of HK\$1.00 to RMB0.7915 prevailing on 18 October 2013.
- (5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 May 2013.

FUTURE PLANS AND USE OF PROCEEDS FROM THE GLOBAL OFFERING

FUTURE PLANS AND PROSPECTS

Please refer to the section headed “Business — Business strategies” in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$2.30 per Share (being the mid-point of the indicative Offer Price range), our Directors estimate that the net proceeds to us from the Global Offering will be about HK\$179.4 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Global Offering. We intend to use the net proceeds from the Global Offering as follows:

- approximately HK\$107.7 million, representing approximately 60% of the net proceeds from the Global Offering, will be used to expand our financial capability by increasing our net asset value, registered capital and/or paid-up capital;
- approximately HK\$53.8 million, representing approximately 30% of the net proceeds from the Global Offering, will be used to pursue potential merger and acquisition opportunities within the industry to further expand our business and service offerings; and
- approximately HK\$17.9 million, representing approximately 10% of the net proceeds from the Global Offering, will be used for the working capital of our Group.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of about HK\$33.5 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by us to the above purpose in the same proportions as set out above.

If the Offer Price is fixed above or below HK\$2.30 per Share (being the mid-point of the estimated price range), our Directors presently intend to adjust the allocation of the net proceeds to the above purposes in the same proportions as set out above.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, our Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

RaffAello Securities (HK) Limited

First Shanghai Securities Limited

Co-Lead Manager

Yue Xiu Securities Company Limited

Co-Managers

Convoy Investment Services Limited

Huatai Financial Holdings (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting arrangements

The Public Offer is fully underwritten by the Public Offer Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters, in each case on a several basis and subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (on behalf of the Underwriters) and us. The Public Offer Underwriting Agreement was entered into on 30 October 2013 and in connection with the International Placing, our Company expects to enter into the International Placing Underwriting Agreement with, among others, the International Placing Underwriters. The Public Offer Underwriting Agreement is conditional upon (among other things) the International Placing Underwriting Agreement being entered into, and the respective Underwriting Agreements are expected to be inter-conditional.

The Public Offer Underwriting Agreement

Under the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Pursuant to the Public Offer Underwriting Agreement, and conditional upon, among others, the Listing Committee granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus subject to such customary conditions that may be imposed by the Stock Exchange and certain other conditions including the Offer Price being determined by our Company and the Joint Global Coordinators (on behalf of the Underwriters) by entering into the Price Determination Agreement on or before the Price Determination Date, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the Application Forms, the Public Offer Shares which are not taken up under the Public Offer.

UNDERWRITING

Grounds for termination by the Public Offer Underwriters

The Joint Global Coordinators (on behalf of the Public Offer Underwriters) is entitled to terminate the Public Offer Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date (“**Termination Time**”) to our Company if certain events, including the following events, shall occur prior to the Termination Time:

- (a) there comes to the notice of any of the Joint Sponsors, the Joint Global Coordinators or any of the Public Offer Underwriters of any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Public Offer Underwriting Agreement (other than those undertaken by the Public Offer Underwriters, the Joint Sponsors and/or the Joint Global Coordinators) which, in any such cases, is considered, in the sole and absolute opinion of the Joint Global Coordinators (on behalf of the Public Offer Underwriters), to be material in the context of the Global Offering; or
- (b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect; or
- (c) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Joint Global Coordinators (on behalf of the Public Offer Underwriters), a material omission in the context of the Global Offering; or
- (d) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our Controlling Shareholders and our executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
- (e) the International Placing Underwriting Agreement is terminated for whatever reasons; or
- (f) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - i. any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Group (“**Relevant Jurisdictions**”); or
 - ii. any change in, or any event or series of events or development resulting or likely to result in any change in the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects in any of the Relevant Jurisdictions; or
 - iii. any change in the conditions of Hong Kong, the US, the PRC or international equity securities or other financial markets; or
 - iv. the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

UNDERWRITING

- v. any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions; or
- vi. any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
- vii. the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) on Hong Kong or the PRC; or
- viii. a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- ix. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or
- x. any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of the Joint Global Coordinators (on behalf of the Public Offer Underwriters):

- 1. is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of our Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective shareholder in his/its capacity as such shareholder of our Company; or
- 2. has or will have a material adverse effect on the success of the Global Offering as a whole or the level of the Public Offer Shares being demanded, applied for or accepted, the distribution of the Public Offer Shares; or
- 3. for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Global Offering as a whole.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of the value of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

(a) Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the date on which our securities first commence dealing on the Stock Exchange (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

(b) Undertaking by our Controlling Shareholders

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders, namely, Mr. Zhang, Mr. Xu, Mr. Pang, Expert Depot, Bliss Success and Novel Heritage has undertaken to us, the Joint Sponsors and the Stock Exchange that our Controlling Shareholders shall not and shall procure that its nominees who are registered holders of its holding of Shares shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the securities of our Company first commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which any of our Controlling Shareholders is shown by this prospectus to be the beneficial owner(s); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder (as defined under the Listing Rules) of our Company.

In accordance with Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange, the Joint Sponsors and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the securities of our Company first commence on the Stock Exchange, our Controlling Shareholders will:

- (i) when he/it pledges or charges any securities of our Company beneficially owned by our Controlling Shareholders, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Joint Sponsors in writing of such pledge or charge together with the number of securities of our Company so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company beneficially owned by our Controlling Shareholders will be disposed of, immediately inform our Company and the Joint Sponsors in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of matters referred to in paragraphs (i) and (ii) above by our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

(a) Undertaking by our Company

Under the Public Offer Underwriting Agreement, our Company has undertaken to and covenanted with the Joint Sponsors, the Joint Global Coordinators and the Public Offer Underwriters that, and each of

UNDERWRITING

our Controlling Shareholders and our executive Directors has jointly and severally undertaken to and covenanted with the Joint Sponsors, the Joint Global Coordinators and the Public Offer Underwriters to procure (so far as he/it is able to do so) that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Capitalisation Issue, the grant of the Over-allotment Option, the Over-allotment Shares upon the exercise of the Over-allotment Option, the grant of options under the Share Option Schemes, any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Schemes, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Memorandum of Association and the Articles or any consolidation, sub-division or capital reduction our Shares, our Company shall not:

- (a) allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so:
 - i. at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”); or
 - ii. at any time during the six months commencing on the date on which the First Lock-up Period expires (the “**Second Lock-up Period**”), so as to result in our Controlling Shareholders, taken together with the other of them, ceasing to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; or

- (b) at any time during the First Lock-up Period, subject to the Listing Rules and the Takeovers Code, make or agree to make any repurchase of any Shares or other securities of our Company.

(b) *Undertaking by Controlling Shareholders*

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to us, the Joint Sponsors, the Joint Global Coordinators and the Public Offer Underwriters that, save as (i) pursuant to the Global Offering or the Stock Borrowing Agreement; or (ii) permitted under the Listing Rules and with the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Public Offer Underwriters):

- (a) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the First Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (the “**Banking Ordinance**”)), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested

UNDERWRITING

immediately after completion of the Global Offering and the Capitalisation Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules;

- (b) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the Second Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Global Offering and the Capitalisation Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or announce any intention to do so, if, immediately following such action, our Controlling Shareholders, when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; and
- (c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date by reference to which disclosure of his/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:
 - (i) when he/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company or those of Expert Depot, Bliss Success and/or Novel Heritage beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us, the Joint Sponsors and the Joint Global Coordinators (on behalf of the Public Offer Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as requested by us, the Joint Sponsors and/or the Joint Global Coordinators (on behalf of the Public Offer Underwriters); and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over our Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform us of

UNDERWRITING

such indications, and inform the Joint Sponsors and the Joint Global Coordinators (on behalf of the Public Offer Underwriters) as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

The International Placing Underwriting Agreement

In connection with the International Placing, our Company expects to enter into the International Placing Underwriting Agreement with the International Placing Underwriters. Under the International Placing Underwriting Agreement, the International Placing Underwriters will, subject to certain conditions set out therein, severally agree to subscribe for the International Placing Shares or procure subscribers for the International Placing Shares. Potential investors shall be reminded that in the event that the International Placing Underwriting Agreement is not entered into, the Global Offering will not proceed.

Under the International Placing Underwriting Agreement, our Company expects to grant the Over-allotment Option to the International Placing Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Placing Underwriters), in their sole and absolute discretion, at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of the Application Forms under the Global Offering, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued at the Offer Price to cover over-allocation, if any, in the International Placing.

Commission and expenses

Pursuant to the terms of the Public Offer Underwriting Agreement, our Company has agreed to pay the Public Offer Underwriters and, in the case of the International Placing Underwriting Agreement, our Company will agree to pay the International Placing Underwriters an underwriting commission of 3.0% of the aggregate Offer Price payable for the Offer Shares, out of which they will (as the case may be) pay any sub-underwriting commissions. In addition, each of the Joint Sponsors will receive a documentation fee for acting as the joint sponsors of the Listing. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$2.30 (being the mid-point of the indicative Offer Price range of HK\$1.80 per Offer Share and HK\$2.80 per Offer Share), the aggregate underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Global Offering that are payable by our Company are estimated to be approximately HK\$50.6 million in total.

Public Offer Underwriters' interests in our Company

Save for its obligations under the Public Offer Underwriting Agreement and as disclosed in this prospectus, the Public Offer Underwriters do not have any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Public Offer Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

UNDERWRITING

Buyers of the Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

Joint Sponsors' independence

As far as the Joint Sponsors are aware, the Joint Sponsors or their respective affiliates do not have any other current business relationships with or provide any credit facilities or guarantees to our Group (other than acting as joint sponsors of the Listing and the appointment of RaffAello Capital Limited as compliance adviser of our Company) or the substantial Shareholders of our Company which would reasonably be considered to affect the independence of the Joint Sponsors in performing their respective duties as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or before the Price Determination Date, which is currently scheduled on Tuesday, 5 November 2013, or such later date as the Joint Global Coordinators (on behalf of the Underwriters) and our Company may agree but in any event no later than 6:00 p.m. (Hong Kong time) on Friday, 8 November 2013. **If, for any reason, the Joint Global Coordinators (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by 6:00 p.m. (Hong Kong time) on Friday, 8 November 2013, the Global Offering will not become unconditional and will lapse immediately.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$2.80 per Offer Share and is expected to be not less than HK\$1.80 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

We expect to announce the final Offer Price, the level of indication of interests under the International Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Tuesday, 12 November 2013 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company’s website at www.gdjcrzdb.cn and the website of the Stock Exchange at www.hkexnews.hk.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or by applying through **White Form eIPO** which will be made available as described under the section headed “How to apply for the Public Offer Shares — Publication of results” in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.80 per Offer Share and is expected to be not less than HK\$1.80 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$2.80 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, amounting to a total of HK\$5,656.45 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$2.80 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering, the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The entering into of the International Placing Underwriting Agreement between, among others, our Company and the International Placing Underwriters, and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, among other things, the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement has been duly entered into, and if relevant, as a result of the waiver of any conditions given by the Joint Global Coordinators (on behalf of the Joint Sponsors and the Underwriters)), and not being terminated in accordance with its terms or otherwise. Details of the Public Offer Underwriting Agreement and grounds for termination are set out in the section headed “Underwriting” in this prospectus. If for any reason, the International Placing Underwriting Agreement and the Price Determination Agreement are not entered into, the Global Offering will not proceed. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Joint Global Coordinators (on behalf of the Underwriters) may in its absolute discretion determine, the Global Offering will lapse immediately and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed “Refund of your money” in the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In the meantime, your application money will be held in one or more separate bank accounts with the receiving bank or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Public Offer. A total of 100,000,000 Shares will initially be made available under the Global Offering, of which 90,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the International Placing. The remaining 10,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the International Placing and the Public Offer will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the International Placing will also be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE INTERNATIONAL PLACING

Our Company is initially offering, at the Offer Price, 90,000,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the International Placing” below), representing 90% of the total number of Shares being initially offered under the Global Offering (before any exercise of the Over-allotment Option), for subscription by way of the International Placing. The International Placing will be managed by the Joint Global Coordinators and is expected to be fully underwritten by the International Placing Underwriters. Pursuant to the International Placing, it is expected that the International Placing Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the International Placing Shares at the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. It is expected that the International Placing Underwriting Agreement will be executed on or around the Price Determination Date.

Allocation of the International Placing Shares to professional, institutional and private investors pursuant to the International Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and its Shareholders taken as a whole. Investors to whom International Placing Shares are offered are required to undertake not to apply for the Public Offer Shares under the Public Offer. The level of indication of interest in the International Placing is expected to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Tuesday, 12 November 2013. The International Placing is subject to the conditions stated in the paragraph headed “Conditions of the Global Offering” above.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

It is expected that under the International Placing Underwriting Agreement, our Company will grant the Over-allotment Option to the International Placing Underwriters, exercisable by our Joint Global Coordinators (on behalf of the International Placing Underwriters), to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last date for lodging of applications under the Public Offer, to allot and issue up to an aggregate of 15,000,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Placing. The additional Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the International Placing and/or to satisfy the Stabilising Manager's obligation to return Shares borrowed under the Stock Borrowing Agreement. The Joint Global Coordinators may also cover any over-allocations under the International Placing through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent about 27.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

The Public Offer is open to the public as well as to institutional, professional and private investors in Hong Kong. The International Placing involves selective marketing of the International Placing Shares by the International Placing Underwriters to professional, institutional and private investors. Investors may either apply for the Shares under the Public Offer or indicate an interest for the Shares under the International Placing, and may only receive an allocation of Shares under the Public Offer or the International Placing. The Offer Shares are not available for subscription by our Directors, chief executive of our Company, existing beneficial owners of the Shares or their respective associates.

THE PUBLIC OFFER

Our Company is initially offering, at the Offer Price, 10,000,000 Shares (subject to re-allocation as mentioned in the paragraph headed "Re-allocation of Offer Shares between the Public Offer and the International Placing" below), representing 10% of the total number of Shares being initially offered under the Global Offering, for subscription under the Public Offer (before any exercise of the Over-allotment Option). The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement and the agreement on pricing of the Offer Shares between the Joint Global Coordinators (on behalf of the Underwriters) and us. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the relevant Application Form submitted by him/her that he/she has not applied for nor taken up any International Placing Shares nor participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of 5,000,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B but not both. Multiple applications or suspected multiple applications and any application made for more than 100% of the Public Offer Shares initially available under either pool A or pool B will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The results of the Public Offer and basis of allotment of the Public Offer Shares (with successful applicants' identification document numbers, where appropriate) are expected to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 12 November 2013.

Applications under the Public Offer from investors receiving the International Placing Shares under the International Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the International Placing Shares under the International Placing. Multiple applications or suspected multiple applications or applications for more than 100% of the Public Offer Shares in either pool A or pool B being initially offered for public subscription under the Public Offer (i.e. to apply for more than 5,000,000 Public Offer Shares) are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Public Offer is subject to the conditions as stated in the paragraph headed “Conditions of the Global Offering” above.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE INTERNATIONAL PLACING

The allocation of Offer Shares between the International Placing and the Public Offer is subject to re-allocation. If the number of Shares validly applied for in the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 20,000,000 Shares will be re-allocated to the Public Offer from the International Placing, so that an aggregate of 30,000,000 Shares will be available under the Public Offer, representing 30% of the Offer Shares initially available under the Global Offering;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 30,000,000 Shares will be re-allocated to the Public Offer from the International Placing, so that an aggregate of 40,000,000 Shares will be available under the Public Offer, representing 40% of the Offer Shares initially available under the Global Offering;
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 40,000,000 Shares will be re-allocated to the Public Offer from the International Placing, so that an aggregate of 50,000,000 Shares will be available under the Public Offer, representing 50% of the Offer Shares initially available under the Global Offering; and
- (d) in each of the above cases, the number of Shares allocated to the International Placing will be correspondingly reduced, subject to the exercise of the Over-allotment Option.

In all cases, the additional Shares re-allocated to the Public Offer will be allocated, if applicable, equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, the Joint Global Coordinators (on behalf of the Underwriters) have the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the International Placing in such number as it deems appropriate to satisfy the demand under the International Placing. If the International Placing is not fully subscribed, the Joint Global Coordinators have the authority to re-allocate all or any unsubscribed International Placing Shares originally included in the International Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed International Placing Shares. Details of any re-allocation of Offer Shares between the Public Offer and the International Placing will be disclosed in the results announcement, which is expected to be made on Tuesday, 12 November 2013.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or actually purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial public offer prices of the securities. In Hong Kong, the stabilisation price will not exceed the initial public offer price.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In connection with the Global Offering, First Shanghai Securities Limited, as the Stabilising Manager, or any person acting for it, (on behalf of the Underwriters and not as agent for our Company) may over-allocate Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Stabilising Manager to conduct any such stabilisation action which, if commenced, may be discontinued at any time at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 15,000,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilisation action cannot be taken to support the price of the Offer Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Public Offer (the “**Stabilisation Period**”). The Stabilisation Period is expected to expire on Thursday, 5 December 2013 and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fall.

During the Stabilisation Period, the Stabilising Manager, or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with any such stabilisation actions as described above, the Stabilising Manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilisation transactions in order to liquidate any position that has been established by such action.

The Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which the Stabilising Manager will maintain such a position during the Stabilisation Period, are at the sole discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager liquidate this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action. Stabilisation bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

In order to facilitate the settlement of over-allocations, the Stabilising Manager, or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In this connection, the Stabilising Manager will enter into the Stock Borrowing Agreement with Expert Depot whereby the Stabilising Manager may borrow up to 15,000,000 Shares from Expert Depot, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements under Rule 10.07(3) of the Listing Rules are complied with:

- the Stock Borrowing Agreement will only be effected by the Stabilising Manager for covering any short position arising from over-allocations under the International Placing prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Expert Depot will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Expert Depot or its nominees on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised, and (ii) the day on which the Over-allotment Option is exercised in full;
- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Expert Depot in relation to the Stock Borrowing Agreement.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 31 October 2013 until 12:00 noon on Tuesday, 5 November 2013 from:

- (i) any of the following offices of the Public Offer Underwriters:

RaffAello Securities (HK) Limited	3rd Floor, Plaza 168, 166-168 Des Voeux Road Central, Sheung Wan, Hong Kong
First Shanghai Securities Limited	19th Floor, Wing On House, 71 Des Vouex Road Central, Hong Kong
Yue Xiu Securities Company Limited	24th Floor, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong
Convoy Investment Services Limited	G/F-1/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Huatai Financial Holdings (Hong Kong) Limited	Unit 5808-5812, 58/F, The Center, 99 Queen's Road Central, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) any of the following branches of **Industrial and Commercial Bank of China (Asia) Limited**:

District	Branch Name	Address
Hong Kong Island	Queen's Road Central	122-126 Queen's Road Central, Central
	Central	1/F, 9 Queen's Road Central, Central
	Causeway Bay	Shop A, G/F, Jardine Center, 50 Jardine's Bazaar, Causeway Bay
	Wanchai	117-123 Hennessy Road, Wanchai
	North Point	G/F, 436-438 King's Road, North Point
	Quarry Bay	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, 2-12 Westlands Road, Quarry Bay
Kowloon	Kwun Tong	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
	Yaumatei	542 Nathan Road, Yaumatei
	Mongkok	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Mei Foo	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
	Tsimshatsui East	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Tsim Sha Tsui	Shop 1 & 2, G/F, 35-37 Hankow Road, Tsimshatsui
New Territories	Shatin	Shop 22J, Level 3, Shatin Centre, Shatin
	Kwai Fong	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Tsuen Wan Castle Peak Road	G/F, 423-427 Castle Peak Road, Tsuen Wan

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 31 October 2013 until 12:00 noon on Tuesday, 5 November 2013 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — China Success Finance Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 31 October 2013 — 9:00 a.m. to 5:00 p.m.

Friday, 1 November 2013 — 9:00 a.m. to 5:00 p.m.

Saturday, 2 November 2013 — 9:00 a.m. to 1:00 p.m.

Monday, 4 November 2013 — 9:00 a.m. to 5:00 p.m.

Tuesday, 5 November 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 5 November 2013, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria in the paragraph headed “Who can apply”, may apply through the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 31 October 2013 until 11:30 a.m. on Tuesday, 5 November 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 5 November 2013 or such later time under the paragraph headed “Effects of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “China Success Finance Group Holdings Limited” **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of Earth (HK).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852)2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 31 October 2013 — 9:00 a.m. to 8:30 p.m.⁽¹⁾

Friday, 1 November 2013 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Saturday, 2 November 2013 — 8:00 a.m. to 1:00 p.m.⁽¹⁾

Monday, 4 November 2013 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Tuesday, 5 November 2013 — 8:00 a.m.⁽¹⁾ to 12:00 noon

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 31 October 2013 until 12:00 noon on Tuesday, 5 November 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 5 November 2013, the last application day or such later time as described in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 5 November 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Global Offering”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 November 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 5 November 2013 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 12 November 2013 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company’s website at www.gdjcrzdb.cn and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.gdjcrzdb.cn and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, 12 November 2013;
- from the designated results of allocations website at www.iporeults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 12 November 2013 to 12:00 midnight on Monday, 18 November 2013;
- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 12 November 2013 to Friday, 15 November 2013; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 November 2013 to Thursday, 14 November 2013 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed "Structure and conditions of the Global Offering — Conditions of the Global Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 12 November 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 12 November 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 November 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 November 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 12 November 2013, by ordinary post and at your own risk.

(ii) **If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 12 November 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 12 November 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 November 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply through the White Form eIPO**

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 November 2013, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 12 November 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 12 November 2013, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "Publication of results" above on Tuesday, 12 November 2013. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 November 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 12 November 2013. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 November 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 October 2013

The Directors
China Success Finance Group Holdings Limited

RaffAello Capital Limited
First Shanghai Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China Success Finance Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 31 May 2013, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2010, 2011 and 2012 and the five months ended 31 May 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 31 October 2013 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 12 January 2012 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Pursuant to a group reorganisation completed on 17 September 2012 (the "Reorganisation") as detailed in the section headed "Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Double Chance Developments Limited ("Double Chance") as they are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out below. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) or the relevant accounting rules and regulations applicable to enterprises in the People’s Republic of China (“PRC”).

Name of company	Financial period	Auditors
China Success Finance Holdings Limited (“Success Finance”)	Year ended 31 December 2012	Angus Ho & Company, Certificate Public Accountants, Hong Kong
Foshan Success Asset Management Co., Ltd. (“Success Asset”) 佛山市集成資產管理有限公司 (Formerly known as Foshan Shunde Yinhe Electric Car Co., Ltd. 佛山市順德銀河電動車有限公司) (note i)	Years ended 31 December 2010 and 2011	Guangdong Dezheng Certified Public Accountants Ltd. (note i) 廣東德正有限責任會計師事務所
	Year ended 31 December 2012	BDO China Guangdong Shu Lun Pan CPAs Co., Ltd. Foshan Branch (note i) 立信羊城會計師事務所有限公司佛山分公司
Guangdong Success Finance Guarantee Co., Ltd. (“Success Guarantee”) 廣東集成融資擔保有限公司 (note i)	Year ended 31 December 2010	Foshan Zhonglian Certified Public Accountants (note i) 佛山市眾聯會計師事務所有限公司
	Year ended 31 December 2011 and 2012	BDO China Guangdong Shu Lun Pan CPAs Co., Ltd. Foshan Branch (note i) 立信羊城會計師事務所有限公司佛山分公司

Notes:

- (i) The official names of these companies are in Chinese. The English translation is for reference only.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 and the five months ended 31 May 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 May 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 31 May 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended 31 May 2012, together with the notes thereon (the “Corresponding Financial Information”), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Section B</i>	Year ended 31 December			Five months ended 31 May	
		<i>Note</i>	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000
					<i>(Unaudited)</i>	
Revenue	3	35,111	53,528	57,138	22,070	22,071
Other revenue	4	7,034	9,720	16,172	7,374	2,712
		42,145	63,248	73,310	29,444	24,783
Impairment and provision (charged)/written back	5(a)	1,528	(2,993)	3,147	665	(343)
Operating expenses		(10,250)	(14,441)	(16,906)	(7,556)	(14,298)
		(8,722)	(17,434)	(13,759)	(6,891)	(14,641)
Profit from operations		33,423	45,814	59,551	22,553	10,142
Share of profits of associates	12	—	—	132	—	2,957
Share of profits/(losses) of a joint venture	13	1,850	619	(345)	(287)	—
Net gain from disposal of a joint venture	13	—	—	2,379	—	—
Profit before taxation	5	35,273	46,433	61,717	22,266	13,099
Income tax	6	(9,500)	(11,928)	(14,062)	(3,889)	(3,420)
Profit for the year/period		25,773	34,505	47,655	18,377	9,679
Attributable to:						
Equity shareholders of the Company		25,773	34,505	47,655	18,377	9,580
Non-controlling interests		—	—	—	—	99
Profit for the year/period		25,773	34,505	47,655	18,377	9,679
Basic and diluted earnings per share (RMB per share)	9	0.09	0.12	0.16	0.06	0.03

The accompanying notes form part of the Financial Information.

**2 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Year ended 31 December			Five months ended 31 May	
	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit for the year/period	25,773	34,505	47,655	18,377	9,679
Other comprehensive income for the year/period					
Exchange differences on translation of financial statements of entities outside the PRC	—	—	2	—	(150)
Total comprehensive income for the year/period	<u>25,773</u>	<u>34,505</u>	<u>47,657</u>	<u>18,377</u>	<u>9,529</u>
Attributable to:					
Equity shareholders of the Company	25,773	34,505	47,657	18,377	9,430
Non-controlling interests	—	—	—	—	99
Total comprehensive income for the year/period	<u>25,773</u>	<u>34,505</u>	<u>47,657</u>	<u>18,377</u>	<u>9,529</u>

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Section B</i>	As at 31 December			As at 31 May
		<i>Note</i>	2010	2011	2012
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets					
Equipment	10	970	1,152	916	831
Interest in associates	12	—	—	37,959	40,916
Interest in a joint venture	13	35,436	36,055	—	—
Other non-current assets	14	1,582	643	55,261	55,407
Pledged bank deposits	15	60,432	94,633	82,731	106,706
Deferred tax assets	20(c)	774	—	—	—
Total non-current assets		<u>99,194</u>	<u>132,483</u>	<u>176,867</u>	<u>203,860</u>
Current assets					
Pledged bank deposits	15	93,785	96,376	103,337	99,227
Trade and other receivables	16	62,350	17,707	25,491	17,039
Bank deposit with original maturity over three months		—	—	—	35,000
Cash and bank deposits	17	<u>133,128</u>	<u>166,577</u>	<u>163,155</u>	<u>114,569</u>
Total current assets		<u>289,263</u>	<u>280,660</u>	<u>291,983</u>	<u>265,835</u>
Current liabilities					
Receipts in advance		1,425	975	1,838	1,113
Accruals and other payables	18	8,384	6,685	4,477	8,380
Customer pledged deposits received	19	61,901	20,764	2,600	2,100
Current tax liabilities	20(a)	3,398	2	3,777	1,237
Liabilities from guarantees	21	<u>28,699</u>	<u>33,532</u>	<u>30,678</u>	<u>27,607</u>
Total current liabilities		<u>103,807</u>	<u>61,958</u>	<u>43,370</u>	<u>40,437</u>
Net current assets		<u>185,456</u>	<u>218,702</u>	<u>248,613</u>	<u>225,398</u>
Total assets less current liabilities		<u>284,650</u>	<u>351,185</u>	<u>425,480</u>	<u>429,258</u>

The accompanying notes form part of the Financial Information.

APPENDIX I
ACCOUNTANTS' REPORT

	<i>Section B</i>	<u>As at 31 December</u>			<u>As at 31 May</u>
	<i>Note</i>	2010	2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities					
Customer pledged deposits received	19	41,783	19,923	9,980	1,550
Liabilities from guarantees	21	8,168	11,688	7,679	4,434
Deferred tax liabilities	20(c)	—	370	2,213	2,963
		<u>49,951</u>	<u>31,981</u>	<u>19,872</u>	<u>8,947</u>
Net Assets		<u><u>234,699</u></u>	<u><u>319,204</u></u>	<u><u>405,608</u></u>	<u><u>420,311</u></u>
Capital and reserves					
Share capital	22(a)	200,000	250,000	—	—
Reserves	22	<u>34,699</u>	<u>69,204</u>	<u>401,634</u>	<u>416,238</u>
Total equity attributable to equity shareholders of the Company		234,699	319,204	401,634	416,238
Non-controlling interests		<u>—</u>	<u>—</u>	<u>3,974</u>	<u>4,073</u>
Total Equity		<u><u>234,699</u></u>	<u><u>319,204</u></u>	<u><u>405,608</u></u>	<u><u>420,311</u></u>

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company									
	Section B Note	Share capital	Capital reserve	Surplus reserve	Regulatory reserve	Exchange reserve	Retained earnings	Total	Non- controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		22(a)	22(c)	22(d)	22(e)	22(f)				
As at 1 January 2010		200,000	—	1,983	—	—	6,943	208,926	—	208,926
Profit for the year		—	—	—	—	—	25,773	25,773	—	25,773
Surplus reserve appropriation		—	—	3,295	—	—	(3,295)	—	—	—
As at 31 December 2010		<u>200,000</u>	<u>—</u>	<u>5,278</u>	<u>—</u>	<u>—</u>	<u>29,421</u>	<u>234,699</u>	<u>—</u>	<u>234,699</u>
As at 1 January 2011		200,000	—	5,278	—	—	29,421	234,699	—	234,699
Profit for the year		—	—	—	—	—	34,505	34,505	—	34,505
Capital injection		50,000	—	—	—	—	—	50,000	—	50,000
Regulatory reserve appropriation		—	—	—	31,585	—	(31,585)	—	—	—
Surplus reserve appropriation		—	—	4,659	—	—	(4,659)	—	—	—
As at 31 December 2011		<u>250,000</u>	<u>—</u>	<u>9,937</u>	<u>31,585</u>	<u>—</u>	<u>27,682</u>	<u>319,204</u>	<u>—</u>	<u>319,204</u>
As at 1 January 2012		250,000	—	9,937	31,585	—	27,682	319,204	—	319,204
Profit for the year		—	—	—	—	—	47,655	47,655	—	47,655
Exchange differences on translation of financial statements of entities outside the PRC		—	—	—	—	2	—	2	—	2
Total comprehensive income for the year		—	—	—	—	2	47,655	47,657	—	47,657
Arising from										
Reorganisation		(250,000)	288,747	—	—	—	(3,974)	34,773	3,974	38,747
Regulatory reserve appropriation		—	—	—	11,294	—	(11,294)	—	—	—
Surplus reserve appropriation		—	—	6,352	—	—	(6,352)	—	—	—
As at 31 December 2012		<u>—</u>	<u>288,747</u>	<u>16,289</u>	<u>42,879</u>	<u>2</u>	<u>53,717</u>	<u>401,634</u>	<u>3,974</u>	<u>405,608</u>

The accompanying notes form part of the Financial Information.

APPENDIX I
ACCOUNTANTS' REPORT

Attributable to equity shareholders of the Company																
Section B Note	Share capital	Capital reserve	Surplus reserve	Regulatory reserve	Exchange reserve	Retained earnings	Total	Non-	Total equity							
								RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	controlling	RMB'000
								22(a)		22(c)	22(d)	22(e)	22(f)	RMB'000	interests	RMB'000
As at 1 January 2013	—	288,747	16,289	42,879	2	53,717	401,634	3,974	405,608							
Profit for the period	—	—	—	—	—	9,580	9,580	99	9,679							
Exchange differences on translation of financial statements of entities outside the PRC	—	—	—	—	(150)	—	(150)	—	(150)							
Total comprehensive income for the period	—	—	—	—	(150)	9,580	9,430	99	9,529							
Waiver of loans from the Owners	25(c)(iii)	5,174	—	—	—	—	5,174	—	5,174							
Regulatory reserve appropriation	—	—	—	5,293	—	(5,293)	—	—	—							
As at 31 May 2013	—	293,921	16,289	48,172	(148)	58,004	416,238	4,073	420,311							
(Unaudited)																
As at 1 January 2012	250,000	—	9,937	31,585	—	27,682	319,204	—	319,204							
Profit for the period	—	—	—	—	—	18,377	18,377	—	18,377							
Regulatory reserve appropriation	—	—	—	2,837	—	(2,837)	—	—	—							
As at 31 May 2012	250,000	—	9,937	34,422	—	43,222	337,581	—	337,581							

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS

	<i>Section B</i> <i>Note</i>	Year ended 31 December			Five months ended 31 May	
		2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Operating activities						
Profit before taxation		35,273	46,433	61,717	22,266	13,099
Adjustments for:						
Depreciation	5(c)	1,227	578	513	298	129
Impairment and provision (written back)/ charged	5(a)	(1,528)	2,993	(3,147)	(665)	343
Dividend income from unlisted securities	4	(50)	(105)	—	—	—
Investment income	4	—	—	(2,888)	—	—
Share of profits of an associate	12	—	—	(132)	—	(2,957)
Share of (profits)/losses of a joint venture	13	(1,850)	(619)	345	287	—
Net gain from disposal of a joint venture	13	—	—	(2,379)	—	—
Net loss on disposal of equipment and investment property	5(c)	208	2	9	—	—
Unrealised foreign exchange gain		—	—	—	—	(92)
Interest income from bank deposits	4	(1,853)	(1,145)	(2,501)	(1,721)	(2,284)
Changes in working capital:						
(Increase)/decrease in pledged bank deposits		8,530	(36,792)	4,941	12,279	(19,865)
(Increase)/decrease in restricted customer pledged deposits		—	(40,687)	28,107	8,195	8,930
(Increase)/decrease in trade and other receivables		8,921	3,964	(4,361)	(8,588)	16,525
Increase in other non-current assets		(46)	(61)	(318)	(252)	(146)
Increase/(decrease) in receipts in advance		40	(450)	863	286	(725)
Decrease in customer pledged deposits received		(30,155)	(62,997)	(28,107)	(8,195)	(8,930)
Increase/(decrease) in accruals and other payables		1,696	(5,618)	1,225	1,582	3,903
Increase/(decrease) in deferred income		3,120	6,386	(5,485)	(1,797)	(6,659)
Cash generated from/(used in) operating activities		<u>23,533</u>	<u>(88,118)</u>	<u>48,402</u>	<u>23,975</u>	<u>1,271</u>
PRC income tax paid	20(a)	<u>(7,892)</u>	<u>(14,180)</u>	<u>(8,444)</u>	<u>(2,012)</u>	<u>(5,210)</u>
Net cash generated from/(used in) operating activities		<u>15,641</u>	<u>(102,298)</u>	<u>39,958</u>	<u>21,963</u>	<u>(3,939)</u>

The accompanying notes form part of the Financial Information.

	<i>Section B</i>	Year ended 31 December			Five months ended 31 May	
		<i>Note</i>	2010	2011	2012	2012
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Investing activities						
Payments on acquisition of associates	12	—	(4,000)	(37,827)	—	—
Payments for purchase of available-for-sale financial assets	4(b)	—	—	(60,000)	—	—
Payments for purchase of equipment and property		(111)	(761)	(54,586)	(27,147)	(44)
Proceeds from disposal of investment property		28,448	—	—	—	—
Interest received		1,853	1,145	2,501	566	749
Redemption of available-for-sale financial assets	4(b)	—	—	60,000	—	—
Investment income	4	—	—	2,888	—	—
Proceeds from disposal of unlisted securities	14(i)	—	1,000	—	—	—
Proceeds from disposal of an associate	12	—	4,000	—	—	—
Proceeds from disposal of a joint venture	13	—	—	30,949	—	—
Dividends received from unlisted securities		50	105	—	—	—
Bank deposit with original maturity over three months		—	—	—	—	(35,000)
Dividends received from a joint venture		—	—	7,140	7,140	—
Net repayments from/(advances to) related parties	25(h)	6,338	39,652	3,910	(116,310)	—
Net cash generated from/(used in) investing activities		<u>36,578</u>	<u>41,141</u>	<u>(45,025)</u>	<u>(135,751)</u>	<u>(34,295)</u>

The accompanying notes form part of the Financial Information.

	<i>Section B</i>	Year ended 31 December			Five months ended 31 May	
		<i>Note</i>	2010	2011	2012	2012
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Financing activities						
Capital injection	22(a)	—	50,000	—	—	—
Capital contribution arising from reorganisation	1(b)	—	—	39,233	—	—
Payments for initial public offering (“IPO”) costs		—	—	(5,562)	(1,000)	(6,538)
Net advances from/(repayments to) related parties	25(g)/ 25(h)	—	3,919	(3,919)	—	5,174
Net cash generated from/(used in) financing activities		—	53,919	29,752	(1,000)	(1,364)
Net increase/(decrease) in cash and cash equivalents		52,219	(7,238)	24,685	(114,788)	(39,598)
Cash and cash equivalents at the beginning of the year/period		80,909	133,128	125,890	125,890	150,575
Effect of foreign exchange rate changes		—	—	—	—	(58)
Cash and cash equivalents at the end of the year/period	17	<u>133,128</u>	<u>125,890</u>	<u>150,575</u>	<u>11,102</u>	<u>110,919</u>

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION**1 Significant accounting policies****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards (“HKASs”) and related interpretations, promulgated by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2013 are set out in Note 27.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The significant accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the five months ended 31 May 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Group is principally engaged in the provision of guarantees and consultancy services in the PRC. During the Relevant Periods, the Group’s guarantees and consultancy businesses were conducted through Success Guarantee which was owned by five individual owners, namely Mr. Zhang Tiewei, Mr. He Darong, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian (together referred to as the “Owners”) prior to the Reorganisation. As detailed in the section headed “Reorganisation” in the Prospectus, the Group underwent a reorganisation to rationalise its structure in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

As part of the Reorganisation, Success Finance, an indirectly wholly-owned dormant subsidiary of the Company acquired the entire interests in Success Asset from its previous owners for an aggregate cash consideration of RMB123,529,000. For the purpose of financing the acquisitions of the equity interests in Success Asset by Success Finance, the Owners advanced loans in the aggregate amount of RMB equivalent of 132,233,000 to Success Finance (which were funded proportionately by the Owners based on their respective equity ownership interests in Success Guarantee). The loans were waived by the Owners with effect from 31 December 2012.

The entire equity interests of Success Guarantee were acquired by Success Asset from the Owners for an aggregate cash consideration of RMB275,000,000. Success Asset was incorporated on 23 June 2004 as a Sino-foreign joint venture limited liability company and was owned as to 59.26% by Guangdong Yinhe Motor-cycle Group Co., Ltd. (“Yinhe Motor”), a company controlled by Mr. Zhang Tiewei during the Relevant Periods, 13.81% by Daihing Industrial Trading Development Company Limited (“Daihing”) and 26.93% by AXLE Co. Ltd. (“AXLE”) prior to the Reorganisation. Success Asset was a dormant company with no substantive operations and had no material assets and liabilities as at the date of its acquisition by Success Finance, except for cash and cash equivalents held amounted to RMB123,529,000. The RMB275,000,000 cash consideration in respect of the acquisition of Success Guarantee by Success Asset was funded by the existing cash and cash equivalents held by Success Asset and the proceeds from the subscription of 1% of the equity interest in Success Asset by Foshan Shunde Zhongcheng Joint Investments Management Co., Ltd. (“Shunde Zhongcheng”) for a cash consideration of RMB182,000,000. Shunde Zhongcheng, which was established by the Owners under the laws of the PRC on 31 August 2012, was funded and owned based on the proportionate share ownerships the Owners had in Success Guarantee prior to the Reorganisation.

Upon the acquisition of Success Guarantee by Success Asset on 17 September 2012, the Company became the ultimate holding company of the Group; and Double Chance, Success Finance and Success Asset became the intermediate holding companies of Success Guarantee, the Group’s sole operating company. All of the Company’s direct and indirect subsidiaries are wholly-owned except for Success Asset, which is owned as to 99% by Success Finance and 1% by Shunde Zhongcheng following the subscription of 1% of equity interest in Success Asset as mentioned above.

As the Company, Double Chance, Success Finance and Success Asset (together, the “Inserting Companies”) are either newly incorporated or dormant companies that had no substantive operations prior to the Reorganisation and the Reorganisation was undertaken for the sole purpose of effecting the Group’s restructuring and the listing of the Group’s guarantees and consultancy business, which was conducted solely through Success Guarantee during the Relevant Periods, no business combination has occurred. Success Guarantee was owned by the Owners in the same proportionate share of ownerships before and after the Reorganisation and there were no changes in the economic substance of the ownership and the business of Success Guarantee. The Reorganisation only involved inserting the companies with no substantive operations as new holding companies of Success Guarantee. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in HKFRS 3, Business combinations, with Success Guarantee treated as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the financial statements of Success Guarantee with the assets and liabilities of Success Guarantee recognised and measured at their historical carrying amounts prior to the Reorganisation. All material intra-group transactions and balances have been eliminated on consolidation.

For the purpose of the Financial Information, the net liabilities of RMB486,000 held by the Inserting Companies at the commencement of Reorganisation, plus the proceeds received from Owners of RMB132,233,000 and the proceeds received from subscription of 1% of the equity interest in Success Asset of RMB182,000,000, less the cash consideration of RMB275,000,000 paid to the Owners as part of the acquisition of Success Guarantee, has been recorded by the Group as a capital contribution of RMB38,747,000 arising from the Reorganisation. The non-controlling interest of RMB3,974,000, representing 1% equity interest held by Shunde Zhongcheng in Success Asset was recorded as an equity transaction between the Owners and the Group and a reclassification of the amount from total equity attributable to the equity shareholders of the Company to non-controlling interest.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Registered capital/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal Activities
			Direct	Indirect	
Double Chance	BVI 8 February 2012	USD1	100%	—	Investment holding
Success Finance	Hong Kong 18 November 2011	HKD10,000	—	100%	Investment holding
Success Asset	the PRC 23 June 2004	RMB125,270,000	—	99%	Investment holding
Success Guarantee	the PRC 26 December 1996	RMB250,000,000	—	99%	Provision of financial guarantee services in the PRC

(c) *Basis of measurement*

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand except when otherwise indicated. The measurement basis used in the preparation of the Financial Information is the historical cost basis.

(d) *Use of estimates and judgements*

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 2.

(e) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity shareholders of the Company.

In the Company's statements of financial position, the investment in a subsidiary is stated at cost less impairment losses (see Note 1(k)).

(f) *Associates and joint ventures*

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(k)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)).

(g) *Other investments in debt and equity securities*

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Note 1(s)(iii) and (iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 1(k)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statements of financial position at cost less impairment losses (see Note 1(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in Note 1(s)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in Note 1(s)(iv). When these investments are derecognised or impaired (see Note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) *Investment property*

Investment properties are buildings which are owned or held under a leasehold interest (see Note 1(j)) to earn rental income and/or for capital appreciation.

Investment properties are measured at cost less accumulated depreciation and impairment losses. Any gain or loss arising from disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(s)(v).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see Note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

(i) *Equipment*

Items of equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(k)(ii)).

The cost of self-constructed items of equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful life
Motor vehicles	4-5 years
Office and other equipment	3-5 years

Where parts of an item of equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 1(h)).

(ii) *Operating lease charges*

Where the Group has the use of assets held under operating lease, payments made under the lease are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) *Impairment of assets*

(i) *Impairment of investments in debt and equity securities and other receivables*

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries, associates and joint ventures (including those recognised using the equity method (see Note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(k)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Equipment; and
- Investment property.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(l) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) *Other payables*

Other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(q), other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) *Employee benefits*

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, the Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are capitalised as part of the cost of assets or charged to profit or loss on an accrual basis.

(p) *Income tax*

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) ***Financial guarantees issued***

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within liabilities from financial guarantees. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(r) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(r) ***Provisions and contingent liabilities***

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Guarantee fee income*

The amount of the guarantee is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income and is amortised in profit or loss over the term of the guarantee as guarantee fee income.

(ii) *Rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the services performed to date as a percentage of the total services to be performed.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that it is probable be recoverable.

(iii) *Dividends*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(v) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vi) *Government grants*

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) *Translation of foreign currencies*

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person indentified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) *Segment reporting*

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For the Relevant Periods, the directors have determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing financial guarantees and financial consultancy service which is the basis to allocate resources and assess performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

2 Accounting judgement and estimates

In the process of applying the Group's accounting policies, the key sources of estimation uncertainty are as follows:

(a) *Provision of financial guarantee losses*

The Group makes reasonable estimate on expense required to fulfil the relevant obligation of financial guarantee contracts when the Group computes the provisions of financial guarantee losses. Such estimation is made based on the available information as at the end of each reporting period and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the financial guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.

(b) *Impairment of trade and other receivables*

As described in Note 1(k), trade and other receivables that are measured at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed or additional impairment charge is required.

(c) *Deferred tax assets*

Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

3 Revenue

The principal activities of the Group are the provision of guarantees and financial consultancy services. The amount of each significant category of revenue recognised is as follows:

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
				<i>(Unaudited)</i>	
Income from financial guarantees	34,352	40,616	45,137	19,164	18,714
Income from litigation guarantees	298	1,528	405	130	259
Income from performance guarantees	461	378	602	228	267
Income from financial consultancy services	—	11,006	10,994	2,548	2,831
Total	<u>35,111</u>	<u>53,528</u>	<u>57,138</u>	<u>22,070</u>	<u>22,071</u>

The Group's customer base is diversified and no single client with whom transactions have exceeded 10% of the Group's revenue. As at 31 December 2010, 2011 and 2012 and 31 May 2012 and 2013, the percentage of the Group's largest single client's revenue was 6.14%, 4.31%, 4.36%, 4.53% (unaudited) and 6.80% respectively; while the percentage of the Group's top 5 clients' revenue was 13.82%, 11.59%, 14.17%, 12.38% (unaudited) and 13.97%, respectively.

4 Other revenue

	Note	Year ended 31 December			Five months ended 31 May	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
Government grants	(a)	4,140	8,243	10,615	5,653	339
Interest income from bank deposits		1,853	1,145	2,501	1,721	2,284
Dividend income from unlisted securities		50	105	—	—	—
Investment income	(b)	—	—	2,888	—	—
Rental income from investment property		990	—	—	—	—
Others		1	227	168	—	89
Total		<u>7,034</u>	<u>9,720</u>	<u>16,172</u>	<u>7,374</u>	<u>2,712</u>

- (a) Success Guarantee received funding supporting mainly from Ministry of Industry and Information Technology of the PRC, Ministry of Finance and Foshan Municipal Bureau of Economy and Trade. The entitlements of the government grants were under the discretion of the relevant government bureaux. The amount of the government grants were determined with reference to the average outstanding financial guarantee amount provided by the Group. The purpose of the government grants was to granting financial assistance to small and medium enterprises.
- (b) Success Guarantee entered into an entrusted investment agreement with Guangdong Finance Trust Company Limited ("Yuecai Trust"), an unrelated party, on 12 July 2012. According to the agreement, Yuecai Trust was entrusted to invest in debt securities of RMB60,000,000; and the principal and return of the entrusted investment were not guaranteed. The principal of entrusted investment was fully redeemed in December 2012. During the entrusted period, Success Guarantee had received investment income totalling RMB2,888,000.

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) *Impairment and provision — charged/(written back)*

	Note	Year ended 31 December			Five months ended 31 May	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
<i>(Unaudited)</i>						
Provision charged/(written back) for guarantees issued	21(a)	(2,296)	1,967	(1,378)	(665)	343
Impairment provision charged/(written back) for						
— trade receivables	16(b)(i)	768	1,026	(1,916)	—	—
— other receivables	16(b)(ii)	—	—	147	—	—
Total		<u>(1,528)</u>	<u>2,993</u>	<u>(3,147)</u>	<u>(665)</u>	<u>343</u>

(b) *Staff costs*

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
<i>(Unaudited)</i>					
Salaries, wages and other benefits	2,659	3,037	3,756	1,698	2,210
Contributions to defined contribution retirement plan	135	166	212	70	75
	<u>2,794</u>	<u>3,203</u>	<u>3,968</u>	<u>1,768</u>	<u>2,285</u>

(c) *Other items*

	Note	Year ended 31 December			Five months ended 31 May	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
<i>(Unaudited)</i>						
Depreciation		1,227	578	513	298	129
Operating lease charges in respect of leasing of properties		534	578	635	253	345
Auditors' remuneration		64	69	167	129	157
Net loss on disposal of equipment and investment property		208	2	9	—	—
IPO costs	(i)	—	1,200	3,283	2,042	9,076
Net foreign exchange loss/(gain)		<u>—</u>	<u>—</u>	<u>681</u>	<u>7</u>	<u>(88)</u>

- (i) The transaction costs were charged by the professional parties in connection with the listing of the ordinary shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. These costs were charged to profit or loss except to the extent that costs directly attributable to the issuance of new shares for public offering were recorded as Prepaid IPO costs and would be recognised in equity upon listing (Note 16).

6 Income tax in the consolidated statements of profit or loss and other comprehensive income

- (a) *Taxation in the consolidated statements of profit or loss and other comprehensive income presents:*

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
				<i>(Unaudited)</i>	
Current tax					
Provision for PRC income tax for the year/period	8,015	10,784	12,219	3,982	2,670
Deferred tax					
Origination and reversal of temporary differences	1,485	1,144	1,843	(93)	750
Total	<u>9,500</u>	<u>11,928</u>	<u>14,062</u>	<u>3,889</u>	<u>3,420</u>

- (b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
				<i>(Unaudited)</i>	
Profit before taxation	<u>35,273</u>	<u>46,433</u>	<u>61,717</u>	<u>22,266</u>	<u>13,099</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	8,818	11,608	15,591	5,567	3,343
Reversal of deferred tax liabilities	—	—	(1,785)	(1,785)	—
Effect of non-taxable income	(12)	(26)	(33)	—	—
Effect of non-deductible expenses	694	346	289	107	77
Income tax expense	<u>9,500</u>	<u>11,928</u>	<u>14,062</u>	<u>3,889</u>	<u>3,420</u>

- (i) Pursuant to the rules and regulations of Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax has been made for the subsidiary located in Hong Kong as the subsidiary has not derived any income subject to Hong Kong Profits Tax during the Relevant Periods.
- (iii) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Group's PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.
- (iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, the undistributed earnings from 1 January 2008 of Success Guarantee amounted to RMB62,303,000 as at 31 May 2013 will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 Directors' remuneration

Details of directors' remuneration of the Group are as follows:

	Year ended 31 December 2010				
	Director's fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Zhang Tiewei (張鐵偉)	—	—	—	—	—
Mr. Li Bin (李斌)	—	152	—	7	159
Non-executive directors					
Mr. He Darong (何達榮)	—	—	—	—	—
Mr. Xu Kaiying (徐凱英)	—	—	—	—	—
Mr. Pang Haoquan (龐浩泉)	—	126	—	6	132
Independence non-executive directors					
Mr. Tsang Hung Kei (曾鴻基)	—	—	—	—	—
Mr. Au Tien Chee Arthur (區天旂)	—	—	—	—	—
Mr. Xu Yan (許彥)	—	—	—	—	—
	—	278	—	13	291

Year ended 31 December 2011

	Director's fees RMB'000	Salaries allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Zhang Tiewei (張鐵偉)	—	—	—	—	—
Mr. Li Bin (李斌)	—	183	—	8	191
Non-executive directors					
Mr. He Darong (何達榮)	—	—	—	—	—
Mr. Xu Kaiying (徐凱英)	—	—	—	—	—
Mr. Pang Haoquan (龐浩泉)	—	122	—	5	127
Independence non-executive directors					
Mr. Tsang Hung Kei (曾鴻基)	—	—	—	—	—
Mr. Au Tien Chee Arthur (區天旂)	—	—	—	—	—
Mr. Xu Yan (許彥)	—	—	—	—	—
	—	305	—	13	318

Year ended 31 December 2012

	Director's fees RMB'000	Salaries allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Zhang Tiewei (張鐵偉)	—	—	—	—	—
Mr. Li Bin (李斌)	—	229	—	9	238
Non-executive directors					
Mr. He Darong (何達榮)	—	—	—	—	—
Mr. Xu Kaiying (徐凱英)	—	—	—	—	—
Mr. Pang Haoquan (龐浩泉)	—	—	—	—	—
Independence non-executive directors					
Mr. Tsang Hung Kei (曾鴻基)	—	—	—	—	—
Mr. Au Tien Chee Arthur (區天旂)	—	—	—	—	—
Mr. Xu Yan (許彥)	—	—	—	—	—
	—	229	—	9	238

Five months ended 31 May 2012 (Unaudited)

	Director's fees RMB'000	Salaries allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Zhang Tiewei (張鐵偉)	—	—	—	—	—
Mr. Li Bin (李斌)	—	128	—	3	131
Non-executive directors					
Mr. He Darong (何達榮)	—	—	—	—	—
Mr. Xu Kaiying (徐凱英)	—	—	—	—	—
Mr. Pang Haoquan (龐浩泉)	—	—	—	—	—
Independence non-executive directors					
Mr. Tsang Hung Kei (曾鴻基)	—	—	—	—	—
Mr. Au Tien Chee Arthur (區天旂)	—	—	—	—	—
Mr. Xu Yan (許彥)	—	—	—	—	—
	—	128	—	3	131

Five months ended 31 May 2013

	Director's fees RMB'000	Salaries allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Zhang Tiewei (張鐵偉)	—	—	—	—	—
Mr. Li Bin (李斌)	—	150	—	4	154
Non-executive directors					
Mr. He Darong (何達榮)	—	—	—	—	—
Mr. Xu Kaiying (徐凱英)	—	—	—	—	—
Mr. Pang Haoquan (龐浩泉)	—	—	—	—	—
Independence non-executive directors					
Mr. Tsang Hung Kei (曾鴻基)	—	—	—	—	—
Mr. Au Tien Chee Arthur (區天旂)	—	—	—	—	—
Mr. Xu Yan (許彥)	—	—	—	—	—
	—	150	—	4	154

8 Individuals with highest emoluments

Of the five individuals with highest emolument, there are two, two, one, one and one directors during the years ended 31 December 2010, 2011 and 2012 and the five months ended 31 May 2012 and 2013, respectively whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other individuals are as follows:

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
Salaries and other emoluments	336	450	680	352	402
Contributions to defined contribution retirement plan	19	22	31	12	15
	<u>355</u>	<u>472</u>	<u>711</u>	<u>364</u>	<u>417</u>

The emoluments of the non-director individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2010	2011	2012	2012 (Unaudited)	2013
Nil-HK\$1,000,000	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Relevant Periods, there were no amounts paid or payable by the Group to the director or any of the highest paid individuals set out in Note 7 and 8 above as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waives any remuneration during the Relevant Periods.

9 Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the respective years/periods and on the assumption that 300,000,000 ordinary shares were in issue throughout the Relevant Periods comprising 10,000 ordinary shares in issue as at the date of the Prospectus, 299,990,000 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the paragraph headed "written resolutions of all the Shareholders passed on 18 October 2013" under the section headed "Statutory and general information" in Appendix IV to the Prospectus.

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
Profit attributable to the equity shareholders of the Company	25,773	34,505	47,655	18,377	9,580
Number of ordinary shares in issue for the purpose of basic earnings per share (thousands)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Basic earnings per share (RMB per share)	<u>0.09</u>	<u>0.12</u>	<u>0.16</u>	<u>0.06</u>	<u>0.03</u>

There were no dilutive potential ordinary shares during the Relevant Periods, and therefore, diluted earnings per share are the same as the basic earnings per share.

10 Equipment

	Motor vehicles <i>RMB'000</i>	Office and other equipment <i>RMB'000</i>	Total equipment <i>RMB'000</i>
Cost:			
As at 1 January 2010	1,826	475	2,301
Additions	—	111	111
As at 31 December 2010 and 1 January 2011	1,826	586	2,412
Additions	671	90	761
Disposals	—	(48)	(48)
As at 31 December 2011 and 1 January 2012	2,497	628	3,125
Additions	—	286	286
Disposals	—	(173)	(173)
As at 31 December 2012 and 1 January 2013	2,497	741	3,238
Additions	—	44	44
Disposals	—	(6)	(6)
As at 31 May 2013	2,497	779	3,276
Accumulated depreciation:			
As at 1 January 2010	(690)	(231)	(921)
Charge for the year	(421)	(100)	(521)
As at 31 December 2010 and 1 January 2011	(1,111)	(331)	(1,442)
Charge for the year	(456)	(121)	(577)
Written back on disposals	—	46	46
As at 31 December 2011 and 1 January 2012	(1,567)	(406)	(1,973)
Charge for the year	(373)	(140)	(513)
Written back on disposals	—	164	164
As at 31 December 2012 and 1 January 2013	(1,940)	(382)	(2,322)
Charge for the period	(67)	(62)	(129)
Written back on disposals	—	6	6
As at 31 May 2013	(2,007)	(438)	(2,445)
Net book value:			
As at 31 December 2010	715	255	970
As at 31 December 2011	930	222	1,152
As at 31 December 2012	557	359	916
As at 31 May 2013	490	341	831

- (i) Interest in Success Credit was acquired on 18 December 2012. Success Guarantee has significant influence in Success Credit by appointing 3 of 9 representatives in the board of directors.
- (ii) Interest in Success Credit Rating was acquired by Success Guarantee on 25 August 2011 and was disposed of to a related party on 23 November 2011 at book value amounted to RMB4,000,000 (Note 25(c)). During this period, Success Credit Rating was dormant and no business activities occurred.

Summary financial information of Success Credit:

	Period from 18 December 2012 to 31 December 2012		Five months ended 31 May 2013	
	100 per cent RMB'000	Group's effective interest RMB'000	100 per cent RMB'000	Group's effective interest RMB'000
Revenue	2,278	410	24,522	4,414
Expenses	(1,552)	(279)	(8,255)	(1,486)
Net profit for the period	<u>726</u>	<u>131</u>	<u>16,267</u>	<u>2,928</u>
	As at 31 December 2012		As at 31 May 2013	
	100 per cent RMB'000	Group's effective interest RMB'000	100 per cent RMB'000	Group's effective interest RMB'000
Non-current assets	45,352	8,162	43,849	7,892
Current assets	266,235	47,918	284,911	51,279
Current liabilities	(102,792)	(18,501)	(103,698)	(18,664)
Total shareholders' equity	<u>208,795</u>	<u>37,579</u>	<u>225,062</u>	<u>40,507</u>

Interest in Success Credit was acquired by Success Guarantee at totalling consideration of RMB37,827,000 on 18 December 2012, of which 9.09% was acquired from a related party (Note 25(c)). Revenue and profit for the period ended 31 December 2012 represented the income of Success Credit since the date of acquisition.

13 Interest in a joint venture

	As at 31 December			As at 31 May
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Share of net assets	<u>35,436</u>	<u>36,055</u>	<u>—</u>	<u>—</u>

Details of the Group's interest in the joint venture are as follows:

Name of the joint venture	Form of business structure	Place of incorporation and operation	Registered capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by a subsidiary	
Success Futures Co., Ltd. 集成期貨有限公司* ("Success Futures")	Incorporated	The PRC	RMB 55,000,000	51%	51%	Futures brokerage

* The official name of this company is in Chinese. The English translation is for reference only.

Summary financial information of the joint venture:

	Year ended 31 December 2010		Year ended 31 December 2011		Period ended 26 October 2012	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
Revenue	51,231	26,128	43,163	22,013	35,357	18,032
Expenses	(47,604)	(24,278)	(41,949)	(21,394)	(36,033)	(18,377)
Net profit/(loss) for the year/period	<u>3,627</u>	<u>1,850</u>	<u>1,214</u>	<u>619</u>	<u>(676)</u>	<u>(345)</u>

	As at 31 December 2010		As at 31 December 2011	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest
Non-current assets	13,112	6,687	25,024	12,762
Current assets	479,010	244,295	363,175	185,219
Current liabilities	(422,639)	(215,546)	(317,502)	(161,926)
Total shareholders' equity	<u>69,483</u>	<u>35,436</u>	<u>70,697</u>	<u>36,055</u>

Success Futures is a joint venture which operates under a joint control arrangement over the economic activities of Success Futures between the Group and two other shareholders. Pursuant to the joint control agreement, all decision about the relevant activities of the joint venture require the unanimous consent of the parties sharing control. Any party with joint control of the arrangement can prevent any of the other parties, or a group of the parties, from making unilateral decisions without its consent.

Interest in Success Futures was disposed to a related party of the Group on 26 October 2012 for a cash consideration of RMB30,949,000 (Note 25(c)).

14 Other non-current assets

	Note	As at 31 December			As at
		2010	2011	2012	31 May
		RMB'000	RMB'000	RMB'000	RMB'000
Unlisted securities, at cost	(i)	1,000	—	—	—
Prepayments to a related party	(ii)	—	—	54,300	54,300
Deferred expenses		285	91	196	358
Prepayments and deposits		297	552	765	749
		<u>1,582</u>	<u>643</u>	<u>55,261</u>	<u>55,407</u>

- (i) The investment was disposed to a related party at its carrying value amounted to RMB1,000,000 in August 2011 (Note 25(c)).
- (ii) On 6 April 2012, Success Guarantee entered into an agreement with Foshan Success Finance Group Co., Ltd. ("Foshan Finance"). On 12 October 2012, Success Asset entered into a tripartite agreement with Foshan Finance and a third party, who is a constructor. These agreements are related to acquisition of properties from Foshan Finance by Success Guarantee and Success Asset at a total consideration of RMB54,300,000. The properties are floors of a commercial building located in Foshan, the PRC, and will be held for own use by the Group. According to the agreements, Foshan Finance acts as the representative to lead the whole tender and development process, while the construction of the commercial building is subcontracted to the constructor by Foshan Finance. The properties will be transferred to the Group upon the expected date of completion of the construction in 2016. Success Guarantee prepaid RMB27,000,000 to Foshan Finance as consideration. The other consideration of RMB27,300,000 was paid by Success Asset directly to the constructor on behalf of Foshan Finance under the tripartite agreement. In the event that the Group revokes the agreements as a result of Foshan Finance's failure or delay in the transfer of the premises, the aforesaid prepayments are fully refundable from Foshan Finance together with a default interests of 10% per annum (Note 25(h)(i)).

The prepayments of RMB20,893,000 and RMB27,300,000 was refunded by Foshan Finance and the constructor respectively on 23 October 2013 (Note 28(a)).

15 Pledged bank deposits

	As at 31 December			As at
	2010	2011	2012	31 May
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current	60,432	94,633	82,731	106,706
Current	93,785	96,376	103,337	99,227
	<u>154,217</u>	<u>191,009</u>	<u>186,068</u>	<u>205,933</u>

Pledged bank deposits represent the deposits pledged to banks for the financial guarantees that the Group provides to the customers for their borrowing from banks.

16 Trade and other receivables

	Note	As at 31 December			As at 31 May
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	(i)	—	—	1,484	1,721
Payments on behalf of customers	(ii)/(iii)/(iv)	16,042	20,194	25,044	16,110
		16,042	20,194	26,528	17,831
Less: allowance for doubtful debts	16(b)(i)	(10,674)	(11,700)	(7,330)	(7,330)
Trade receivables		5,368	8,494	19,198	10,501
Amounts due from related parties	25(h)(i)	43,612	3,960	50	50
Other receivables (Net of impairment provision (Note 16(b)(ii)))	(iii)/(iv)	13,055	4,435	2,528	1,791
Receivables		62,035	16,889	21,776	12,342
Prepaid IPO costs	5(c)(i)	—	—	2,550	3,003
Deferred expenses		315	818	1,165	1,694
Total		62,350	17,707	25,491	17,039

- (i) The amounts represented service fee income receivables from customers.
- (ii) Payments on behalf of customers represented payment made by the Group to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because the customers fail to make payment when due in accordance with the terms of the corresponding debt instruments. Payments on behalf of customers were interest bearing and the Group holds certain collaterals over certain customers.
- (iii) On 21 December 2012, payments on behalf of customers amounted to RMB10,911,000 (net of impairment provision of RMB5,447,000) and other receivable amounted to RMB2,653,000 (net of impairment provision of RMB295,000) were factored without recourse to China Cinda Assets Management Co., Ltd ("Cinda") at RMB13,905,000 and RMB2,505,000, respectively. Net gain on factoring of RMB2,846,000 was recognised as written back of impairment provision for the year ended 31 December 2012 as set out in Note 5(a). Receivables from Cinda amounted to RMB13,905,000 and RMB2,505,000 were recorded as "Payments on behalf of customers" and "Other receivables" respectively as at 31 December 2012. The aggregate amount of RMB16,410,000 was fully settled in January 2013.
- (iv) As at 31 December 2010 and 2011, payments on behalf of customers amounted to RMB2,115,000 and RMB1,873,000 (net of impairment provision of RMB8,844,000 and RMB9,086,000), and other receivables amounted to RMB2,653,000 and RMB2,653,000 (net of impairment provision of RMB6,395,000 and RMB6,395,000), respectively, were pledged as deposits to a related party for guarantee referral services provided (Note 25(f)). The pledged receivables were released pursuant to a supplementary agreement entered into between the related party and Success Guarantee on 10 October 2012. On 21 December 2012, certain aforesaid payments on behalf of customers amounted to RMB1,132,000 (net of impairment provision of RMB3,586,000) and other receivable amounted to RMB2,653,000 (net of impairment provision of RMB295,000), together with other payments on behalf of customers were factored without recourse to Cinda at RMB16,410,000 as mentioned in Note 16(iii).

(a) *Ageing analysis*

As of the end of each reporting period, the ageing analysis of trade receivables (net of allowance for doubtful debts), based on the guarantee income recognition date or advance payment date, is as follows:

	Note	As at 31 December			As at 31 May
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month		—	498	803	—
Over 1 month but less than 3 months		—	55	15,855	50
Over 3 months but less than 1 year		1,691	3,919	2,540	8,592
More than 1 year		<u>14,351</u>	<u>15,722</u>	<u>7,330</u>	<u>9,189</u>
		16,042	20,194	26,528	17,831
Less: allowance for doubtful debts	16(b)(i)	<u>(10,674)</u>	<u>(11,700)</u>	<u>(7,330)</u>	<u>(7,330)</u>
Total		<u>5,368</u>	<u>8,494</u>	<u>19,198</u>	<u>10,501</u>

(b) *Impairment of trade and other receivables*

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against debtors directly (see Note 1(k)).

(i) *The movement in the allowance for trade receivables during the Relevant Periods is as follows:*

	Note	Year ended 31 December			Five months ended 31 May
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/ period		9,906	10,674	11,700	7,330
Charged	5(a)	768	1,026	1,077	—
Written back on non-recourse factoring	5(a)	—	—	(2,993)	—
Written off on non-recourse factoring		<u>—</u>	<u>—</u>	<u>(2,454)</u>	<u>—</u>
At the end of the year/ period		<u>10,674</u>	<u>11,700</u>	<u>7,330</u>	<u>7,330</u>

At 31 December 2010, 2011 and 2012 and 31 May 2013, the Group's debtors of RMB12,861,000, RMB16,749,000, RMB7,330,000 and RMB7,330,000 respectively, were individually determined to be impaired. The individually impaired receivables related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for the doubtful debts were recognised with consideration of fair value of collateral.

(ii) *The movement in the allowance for other receivables during the Relevant Periods is as follows:*

	Note	Year ended 31 December			Five months
		2010	2011	2012	ended 31 May
		RMB'000	RMB'000	RMB'000	2013
					RMB'000
At the beginning of the year/period		6,395	6,395	6,395	6,100
Charged	5(a)	—	—	147	—
Written off on non-recourse factoring		—	—	(442)	—
At the end of the year/period		<u>6,395</u>	<u>6,395</u>	<u>6,100</u>	<u>6,100</u>

At 31 December 2010, 2011 and 2012 and 31 May 2013, the Group's other receivables of RMB9,045,000, RMB9,045,000, RMB6,100,000 and RMB6,100,000 respectively were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, specific allowances for the doubtful debts were recognised with consideration of fair value of those debtors' own assets.

(c) *Trade receivables to customers that are not impaired*

The ageing analysis of trade debtors and payments on behalf of customers that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at
	2010	2011	2012	31 May
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Neither past due nor impaired	—	—	15,389	1,721
Less than 3 months past due	—	553	1,950	—
More than 3 months but less than 12 months past due	1,692	—	1,859	6,921
More than 12 months	<u>1,489</u>	<u>2,892</u>	<u>—</u>	<u>1,859</u>
	<u>3,181</u>	<u>3,445</u>	<u>19,198</u>	<u>10,501</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17 Cash and bank deposits

	<i>Note</i>	<u>As at 31 December</u>			<u>As at 31 May</u>
		2010	2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Demand deposits and term deposits with banks with original maturity less than three months		133,088	125,801	150,514	110,867
Cash in hand		<u>40</u>	<u>89</u>	<u>61</u>	<u>52</u>
Cash and cash equivalents in the consolidated cash flow statement		133,128	125,890	150,575	110,919
Restricted customer pledged deposits	(i)	<u>—</u>	<u>40,687</u>	<u>12,580</u>	<u>3,650</u>
Cash and bank deposits in the statement of financial position		<u>133,128</u>	<u>166,577</u>	<u>163,155</u>	<u>114,569</u>

Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, the Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011. The arrangements include: (a) enter into tripartite custodian agreement among lending bank, customer and the Group for ensuring the entrustment of lending bank to manage the deposits; (b) deposit the pledged deposit received from the customer into a designated custodian bank account; and (c) such deposit is not available for use by the Group.

In order to comply with the aforesaid rules and regulations, the Group had set up internal guidelines which were adopted by the Group in May 2012. However, the aforesaid rules and regulations are not enforceable to banks and the Group could not enter into tripartite custodian arrangement with certain lending banks. As at 31 December 2012 and 31 May 2013, customer pledged deposits of RMB1,550,000 and RMB1,550,000 respectively were deposited into a designated bank account under two tripartite custodian arrangements. For those guarantee services without setting up tripartite custodian arrangements, the Group has maintained the restricted customer pledged deposits received in the Group's bank accounts. As at 31 December 2011 and 2012 and 31 May 2013, the restricted customer pledged deposits received were maintained as follows:

	As at 31 December		As at 31 May
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Designated custodian bank accounts	—	1,550	1,550
The Group's bank accounts	40,687	11,030	2,100
	<u>40,687</u>	<u>12,580</u>	<u>3,650</u>

For the purpose of the consolidated cash flow statements, the restricted customer pledged deposits received by the Group have been excluded from cash and cash equivalents and cash flow from operating activities since 31 March 2011.

18 Accruals and other payables

	Note	As at 31 December			As at 31 May
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties	25(h)(ii)	—	3,919	—	—
Other accruals and payables	(i)	8,384	2,766	4,477	8,380
Total		<u>8,384</u>	<u>6,685</u>	<u>4,477</u>	<u>8,380</u>

- (i) Other accruals and payables are expected to be settled or recognised as income within one year and are repayable on demand.

19 Customer pledged deposits received

	As at 31 December			As at 31 May
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current	41,783	19,923	9,980	1,550
Current	61,901	20,764	2,600	2,100
Total	<u>103,684</u>	<u>40,687</u>	<u>12,580</u>	<u>3,650</u>

Customer pledged deposits received represent deposits received from customers as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to the customers upon expiry of the corresponding guarantee contracts.

20 Income tax in the consolidated statements of financial position

(a) *Current tax liabilities:*

	Note	Year ended 31 December			Five months ended
		2010	2011	2012	31 May
		RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period		3,275	3,398	2	3,777
Provision for PRC income tax for the year/period	6(a)	8,015	10,784	12,219	2,670
PRC income tax paid		(7,892)	(14,180)	(8,444)	(5,210)
At the end of the year/period		<u>3,398</u>	<u>2</u>	<u>3,777</u>	<u>1,237</u>

(b) *Deferred tax assets and liabilities recognised:*

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Deferred income	Provision of financial guarantee losses	Impairment provision for trade and other receivables	Accrued expenses	Share of profits of a joint venture and an associate	Government grants	Total
							RMB'000
As at 1 January 2010	6,868	(5,073)	4,075	43	(1,384)	(2,270)	2,259
Credited/(charged) to profit or loss	<u>780</u>	<u>(977)</u>	<u>192</u>	<u>18</u>	<u>(463)</u>	<u>(1,035)</u>	<u>(1,485)</u>
As at 31 December 2010 and 1 January 2011	7,648	(6,050)	4,267	61	(1,847)	(3,305)	774
Credited/(charged) to profit or loss	<u>1,596</u>	<u>(1,105)</u>	<u>257</u>	<u>323</u>	<u>(154)</u>	<u>(2,061)</u>	<u>(1,144)</u>
As at 31 December 2011 and 1 January 2012	9,244	(7,155)	4,524	384	(2,001)	(5,366)	(370)
Credited/(charged) to profit or loss	<u>(1,371)</u>	<u>597</u>	<u>(1,166)</u>	<u>480</u>	<u>2,001</u>	<u>(2,384)</u>	<u>(1,843)</u>
As at 31 December 2012 and 1 January 2013	7,873	(6,558)	3,358	864	—	(7,750)	(2,213)
Credited/(charged) to profit or loss	<u>(1,664)</u>	<u>(217)</u>	<u>—</u>	<u>1,988</u>	<u>(772)</u>	<u>(85)</u>	<u>(750)</u>
As at 31 May 2013	<u>6,209</u>	<u>(6,775)</u>	<u>3,358</u>	<u>2,852</u>	<u>(772)</u>	<u>(7,835)</u>	<u>(2,963)</u>

(c) *Reconciliation to the consolidated statements of financial position*

	As at 31 December			As at 31 May
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Deferred tax assets recognised on the consolidated statements of financial position	774	—	—	—
Deferred tax liabilities recognised on the consolidated statements of financial position	—	(370)	(2,213)	(2,963)
	<u>774</u>	<u>(370)</u>	<u>(2,213)</u>	<u>(2,963)</u>

21 **Liabilities from guarantees**

	Note	As at 31 December			As at 31 May
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Current liabilities					
— Deferred income		22,425	25,291	23,815	20,401
— Provision of guarantee losses	(a)	<u>6,274</u>	<u>8,241</u>	<u>6,863</u>	<u>7,206</u>
		28,699	33,532	30,678	27,607
Non-current liabilities					
— Deferred income		<u>8,168</u>	<u>11,688</u>	<u>7,679</u>	<u>4,434</u>
		<u>36,867</u>	<u>45,220</u>	<u>38,357</u>	<u>32,041</u>

(a) *Provision of guarantee losses*

	Note	Year ended 31 December			Five months ended 31 May
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
At the beginning of the year/period		8,570	6,274	8,241	6,863
Charge/(written back) for the year/period	5(a)	<u>(2,296)</u>	<u>1,967</u>	<u>(1,378)</u>	<u>343</u>
At the end of the year/period		<u>6,274</u>	<u>8,241</u>	<u>6,863</u>	<u>7,206</u>

22 Share capital and reserves

(a) *Share capital*

	As at 31 December			As at
	2010	2011	2012	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	200,000	200,000	250,000	—
Capital injection	—	50,000	—	—
Arising from reorganisation	—	—	(250,000)	—
At the end of the year/period	<u>200,000</u>	<u>250,000</u>	<u>—</u>	<u>—</u>

As set out in Note 1(b) of Section B, the Company was incorporated in the Cayman Island on 12 January 2012 as an exempted company with limited liability with an authorised share capital of HKD8,000,000 comprising 800,000,000 ordinary shares of HKD0.01 each. For the purpose of the Financial Information, the share capital at 31 December 2010 and 2011 represented the share capital of Success Guarantee. As at 31 December 2012 and 31 May 2013, the share capital represented 10,000 ordinary shares of the Company of HKD0.01 each, which were allotted and issued at par.

(b) *Dividends*

No dividends were paid to the equity shareholders of companies now comprising the Group during the Relevant Periods.

(c) *Capital reserve*

The capital reserve represents the difference between the nominal value of share capital of the Company and the paid-up capital of Success Guarantee, plus the net assets acquired from the Inserting Companies pursuant to the Reorganisation.

(d) *Surplus reserve*

Surplus reserve comprises statutory surplus reserve and discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC (“MOF”), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After making the appropriation to the statutory surplus reserve, the Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, discretionary surplus reserves may be used to make good previous years' losses, if any, and may be converted into capital.

(e) *Regulatory reserve*

According to the Interim Measures for the Administration of Financial Guarantee Companies ("Interim Measures") issued at 8 March 2010 by the relevant government authorities in the PRC, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year/period, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC, which had a grace period till 31 March 2011. The Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011. According to the details implementation guidance No. 149 issued by the People's Government of Guangdong Province on the Interim Measures, the use of the aforementioned regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guangdong Province.

(f) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in Note 1(t).

(g) *Distributability of reserves*

The aggregate amounts of reserves available for distribution to equity shareholders of the Company, at 31 December 2010, 2011 and 2012 and 31 May 2013 were RMB29,421,000, RMB27,682,000, RMB53,717,000 and RMB58,004,000, respectively. Management considered that for the purpose of business development, the undistributed retained earnings of Success Guarantee of RMB62,997,000 as at 31 May 2013 will not be distributed in the foreseeable future.

(h) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure, monitors the return on capital, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the Relevant Periods.

Particularly, the Group monitors regularly the residual balance of outstanding guarantees for single customers and multiples of the total outstanding guarantees in relation to net assets and paid-in capital of Success Guarantee, so as to keep the capital risk within an acceptable limit. The decision to manage the net assets and registered capital of Success Guarantee to meet the needs of developing guarantee business rests with the directors.

During the Relevant Periods, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of Success Guarantee are as follows:

	Note	As at 31 December			As at
		2010	2011	2012	31 May
		RMB'000	RMB'000	RMB'000	RMB'000
Outstanding guarantees		1,066,548	1,544,533	1,483,497	1,539,109
Net assets of Success Guarantee	(i)	250,828	340,130	346,624	366,341
Registered/paid-in capital of Success Guarantee	(i)	200,000	250,000	250,000	250,000
Multiples of					
- net assets		4.25	4.54	4.28	4.20
- paid-in capital		5.33	6.18	5.93	6.16

- (i) The amounts of net assets and registered/paid in capital as at 31 December 2010, 2011 and 2012 are extracted from the audited PRC statutory financial statements of Success Guarantee. The amount as at 31 May 2013 is extracted from the unaudited PRC management accounts of Success Guarantee.

23 Financial risk management and fair values

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk primarily arises from the possibility that a customer or counterparty in the transaction may default, leading to losses. Credit risk is primarily attributable to unexpired financial guarantees (Note 24(a)) issued by the Group. The Group has entered into financial guarantee contracts in which it has guaranteed the banks the repayment of loans entered into by customers of the Group. The Group has the obligation to compensate banks for the losses they would suffer if customers fail to repay.

The Group's risk management committee under the leadership of the executive director is tasked with organising and coordinating the Group's risk management and internal control. The committee is comprised of the Group's internal personnel, including general manager of Success Guarantee, two vice general managers of Success Guarantee, risk control director of Success Guarantee and an administrative secretary. The committee is responsible for (i) designing and implementation of overall risk management internal control policies and procedures and establishing appropriate risk appetite; (ii) designing and execution of due diligence procedures; (iii) reviewing the creditworthiness of customers before submitting to the executive director for final approval.

The Group has taken measures to identify credit risks arising from financial guarantees issued. The Group manages credit risk at every stage along the financial guarantee approval process, including pre-transaction, in-transaction and post-transaction monitoring processes. The Group conducts due diligence and evaluates customers by internal credit assessment system during the pre-approval process. Financial guarantees issuance is subject to approval of the Group's risk management committee and the executive Director.

The project managers assigned to each case monitor the post-transaction status of the customers. Each manager is responsible for a number of customers. They visit the customers regularly to understand their operation and financial status by checking their financial reports, sale contracts, sale invoices, value added tax filing documents, utility bills and bank statements and others relevant documents.

(i) *Risk concentration*

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to specific industries or geographical locations. As the Group mainly operates its businesses in Guangdong Province of the PRC, there exists a certain level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the local economic conditions.

The Group has certain level of concentration of exposure to manufacturing and processing industry in respect of total maximum guarantees issued at 31 December 2010, 2011 and 2012 and 31 May 2013. The maximum exposure to credit risk in respect of these guarantees at 31 December 2010, 2011 and 2012 and 31 May 2013 is as follows:

	Total maximum guarantees issued							
	as at 31 December						As at 31 May	
	2010		2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Manufacturing and processing	873,265	81%	1,185,160	76%	1,081,295	72%	993,610	64%
Wholesale and retailing	73,240	7%	102,844	7%	129,812	8%	132,546	9%
Construction and installation	7,642	1%	42,464	3%	96,780	7%	94,510	6%
Financial services	32,250	3%	71,500	5%	60,700	4%	183,500	11%
Tourism and service sector	41,331	4%	38,360	2%	44,065	3%	47,906	3%
Real estate	10,763	1%	20,000	1%	7,500	1%	8,000	1%
Transportation	3,275	1%	9,101	1%	6,073	1%	8,022	1%
Others	24,782	2%	75,104	5%	57,272	4%	71,015	5%
Total	1,066,548	100%	1,544,533	100%	1,483,497	100%	1,539,109	100%

(ii) *Guarantee loss assessment*

The Group makes provision on guarantees issued if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the guarantees or group of guarantees that can be reliably estimated.

Basis of provision against the outstanding guarantee value

The Group assesses (either individually or collectively) the contingent liabilities arise from its outstanding guarantee value in accordance with HKFRS 37 and HKFRS 39. If it is determined that the Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities) and if it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimated can be made, then a “provision of guarantee losses” is recognised and the loss is recognised in the statement of profit or loss. The provisions are determined by using individual and collective assessments for the outstanding guarantees as at the end of the reporting period. Provisions are stated at the present value of the expenditure expected to settle the obligation.

For all non financial guarantees (i.e. performance and litigation guarantees) and those financial guarantees which are considered individually significant, the Group performs individual credit evaluation on the customers to determine whether the Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities).

The historical default rate, loss rate and economy cycle are considered by the Group to be indicators of losses from its financial guarantee business. Default rate is the rate at which guarantee holders default on the guaranteed loans amount that they owe. Loss rate is the rate at which loss incurred by the Group for the defaulted amounts.

For those financial guarantees that are not considered individually significant and those financial guarantees that have been individually assessed, but for which there is no objective evidence of losses, the Group adopts a methodology to collectively assess whether there is objective evidence that losses on group of financial guarantees are already incurred. For the purposes of a collective evaluation of losses, financial guarantees are grouped on the basis of similar risk characteristics and use a methodology which utilized a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management’s historical experience.

If it is probable that an outflow of economic benefits will be required to settle the obligation arising from the individual and collective assessments, provisions will be recognised as liabilities in the consolidated balance sheet item “Liabilities from guarantees” and the losses are included in “Impairment and provision (charged) / written back” in the consolidated statements of profit or loss.

Basis of provision of impairment for “payment on behalf of customers”

When customers default on settling the loans advanced from banks, the Group is required to honor the guarantee contracts and required to settle the loans on behalf of customer. Accordingly, the Group records the “Payments on behalf of customer” as “trade receivables”.

The Group performs individual credit assessments for those recorded trade receivables. If there is objective evidence of impairment of trade receivables, the loss is measured as the excess of its carrying amount over the present value of the estimated future cash inflows, discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows focuses on individual customer's financial status and information specific to the customers, including cash flows generated from operation or insurance claims, foreclosure less costs for obtaining and selling the collateral, and any customers' pledged cash deposit received.

For those trade receivables that have been individually assessed, but for which there is no objective evidence of losses, the Group groups these receivables on the basis of similar risk characteristics and collectively assessed for losses. The collective assessment utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

The losses arising from individual and collective assessments are deducted from the carrying value of the "trade receivable" on the balance sheet and the losses are included in "Impairment and provision (charged) / written back" in the consolidated statements of profit or loss.

The Group's other credit risk is attributable to bank deposits and security deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits and security deposits of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

(b) *Market risk*

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group's on-balance sheet and off-balance sheet businesses. The Group's market risk mainly arises from currency risk and interest rate risk.

(i) *Currency risk*

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors considered the Group's exposure to foreign currency risk is not significant during the Relevant Periods.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividend in foreign currencies to its equity shareholders.

(ii) *Interest risk*

The Group is principally engaged in providing guarantee services. Its interest rate risk arises primarily from deposits with banks. Deposits with banks are mainly at floating rates stipulated by the People's Bank of China. The Group's interest rate profile is monitored by management and the directors consider that the Group's exposure to market risk for changes in interest rate is not significant during the Relevant Periods.

(c) *Liquidity risk*

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The following tables show the remaining contractual maturities at the end of the each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

Contractual undiscounted cash outflows as at 31 December 2010							
	Contractual undiscounted				One year or less but over six months	Two years or less but over one year	Five years or less but over two years
	Carrying amount	cash outflows	Repayable on demand	Within six months			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-derivatives financial liabilities							
Receipts in advance	1,425	1,425	1,425	—	—	—	—
Accruals and other payables	8,384	8,384	8,375	9	—	—	—
Customer pledged deposits received	103,684	103,684	805	35,759	25,337	18,812	22,971
Total	<u>113,493</u>	<u>113,493</u>	<u>10,605</u>	<u>35,768</u>	<u>25,337</u>	<u>18,812</u>	<u>22,971</u>
Guarantees							
Maximum guarantees exposure	<u>1,066,548</u>	<u>1,066,548</u>	<u>24,387</u>	<u>340,943</u>	<u>354,045</u>	<u>137,273</u>	<u>209,900</u>
Contractual undiscounted cash outflows as at 31 December 2011							
	Contractual undiscounted				One year or less but over six months	Two years or less but over one year	Five years or less but over two years
	Carrying amount	cash outflows	Repayable on demand	Within six months			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-derivatives financial liabilities							
Receipts in advance	975	975	975	—	—	—	—
Accruals and other payables	6,685	6,685	4,886	1,799	—	—	—
Customer pledged deposits received	40,687	40,687	2,950	9,114	8,700	15,781	4,142
Total	<u>48,347</u>	<u>48,347</u>	<u>8,811</u>	<u>10,913</u>	<u>8,700</u>	<u>15,781</u>	<u>4,142</u>
Guarantees							
Maximum guarantees exposure	<u>1,544,533</u>	<u>1,544,533</u>	<u>74,850</u>	<u>552,879</u>	<u>457,551</u>	<u>128,789</u>	<u>330,464</u>

Contractual undiscounted cash outflows as at 31 December 2012

	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash outflows <i>RMB'000</i>	Repayable on demand <i>RMB'000</i>	Within six months <i>RMB'000</i>	One year or less but over six months <i>RMB'000</i>	Two years or less but over one year <i>RMB'000</i>	Five years or less but over two years <i>RMB'000</i>
Non-derivatives financial liabilities							
Receipts in advance	1,838	1,838	1,838	—	—	—	—
Accruals and other payables	4,477	4,477	2,459	2,018	—	—	—
Customer pledged deposits received	12,580	12,580	—	1,500	1,100	8,430	1,550
Total	18,895	18,895	4,297	3,518	1,100	8,430	1,550
Guarantees							
Maximum guarantees exposure	1,483,497	1,483,497	57,272	430,175	502,900	342,386	150,764

Contractual undiscounted cash outflows as at 31 May 2013

	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash outflows <i>RMB'000</i>	Repayable on demand <i>RMB'000</i>	Within six months <i>RMB'000</i>	One year or less but over six months <i>RMB'000</i>	Two years or less but over one year <i>RMB'000</i>	Five years or less but over two years <i>RMB'000</i>
Non-derivatives financial liabilities							
Receipts in advance	1,113	1,113	1,113	—	—	—	—
Accruals and other payables	8,380	8,380	2,515	5,865	—	—	—
Customer pledged deposits received	3,650	3,650	—	1,200	900	—	1,550
Total	13,143	13,143	3,628	7,065	900	—	1,550
Guarantees							
Maximum guarantees exposure	1,539,109	1,539,109	71,015	552,706	410,114	287,284	217,990

(d) *Fair values*

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010, 2011 and 2012 and 31 May 2013.

(e) *Estimation of fair value*

The following summarizes the major methods and assumptions used in estimating the fair value of financial instruments.

(i) *Trade and other receivables*

Trade receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

(ii) *Guarantees issued*

The fair value of guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iii) *Interest rate used for determining fair value*

The market interest rate adopted for determining the fair value of trade and other receivables are ranging from 3.38% to 3.55%, 2.72% to 3.04%, 2.91% to 3.23% and 2.87% to 3.16% as at 31 December 2010, 2011 and 2012 and 31 May 2013, respectively.

24 **Commitments**(a) *Guarantees issued*

At the end of each reporting period, the total maximum guarantees issued are as follows:

	As at 31 December			As at 31 May
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial guarantees	1,023,661	1,411,183	1,367,725	1,409,594
Litigation guarantees	24,387	74,850	57,272	71,015
Performance guarantees	18,500	58,500	58,500	58,500
Total	1,066,548	1,544,533	1,483,497	1,539,109

The total maximum guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

(b) *Operating leases commitment*

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at
	2010	2011	2012	31 May
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	562	499	135	436
After 1 year but less than 5 years	473	58	111	72
Total	1,035	557	246	508

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1-3 years, at the end of which period all terms are renegotiated. The lease does not include contingent rentals.

25 **Material related party transactions**(a) *Name and relationship with related parties*

During the Relevant Periods, transactions with the following parties are considered as related parties:

Name of related party	Relationship
Mr. Zhang Tiewei	One of the Owners
Mr. He Darong	One of the Owners
Mr. Xu Kaiying	One of the Owners
Mr. Pang Haoquan	One of the Owners
Mr. Chen Guoxian	One of the Owners
Mr. Yuan Chen	Vice general manager of Success Guarantee
Foshan Finance* (佛山市集成金融集團有限公司)	A company of which 100% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Success Futures	Joint venture of the Group, which ceased to be the related party from 26 October 2012
Success Credit Rating	Associate of the Group, during the period from 25 August 2011 to 23 November 2011
Success Credit	Associate of the Group since 18 December 2012
Success Investment Holdings Co., Ltd.* ("Success Holdings") (集成投資控股有限公司)	A company of which 100% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Guangdong Jiayou Electric Co., Ltd.* ("Guangdong Jiayou") (廣東嘉友電器有限公司)	A company of which 100% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Success Holdings

Name of related party	Relationship
Yinhe Motor* (廣東銀河摩托車集團有限公司)	A company of which 100% interest is held by Mr. He Darong, Mr. Chen Guoxian, Success Holdings and Guangdong Jiayou
Guangdong Success Insurance Brokers Co., Ltd.* ("Success Insurance") (廣東集成保險經紀有限公司)	A company of which 60% interest is held by Foshan Finance
Foshan Tiefeng Industrial Investment Co., Ltd.* ("Foshan Tiefeng") (佛山市鐵豐實業投資有限公司)	A company of which 90% interest is held by Mr. He Darong
Foshan Gree Electric Appliances Sale Co., Ltd.* ("Gree Electric") (佛山市格力電器銷售有限公司)	A company of which 50% interest is held by Success Holdings
Foshan Dacheng Investment Co., Ltd.* ("Foshan Dacheng") (佛山市大成投資有限公司)	A company of which 100% interest is held by Mr. Zhang Tiewei, Mr. Pang Haoquan, Mr. Xu Kaiying and Foshan Finance during the period from 23 Jan 2011 to 18 Jun 2012
Foshan Shunde Jiayou Tianzhi Investment Co., Ltd.* ("Shunde Jiayou") (佛山市順德嘉友天旨投資有限公司)	A company of which 68% interest is indirectly held by the Owners
Foshan Xiansheng Steel Trading Co., Ltd.* ("Xiansheng Steel") (佛山市顯盛鋼鐵貿易有限公司)	A company of which 60% interest is held by the spouse of Mr. Chen Guoxian

* The English translation of the names is for reference only. The official names of the entities are in Chinese.

(b) **Key management personnel remuneration**

Remuneration for key management personnel of the Group including amounts paid to the Group's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
Salaries allowances and other benefits	613	844	909	450	519
Contributions to defined contribution retirement plan	33	42	40	45	52
	<u>646</u>	<u>886</u>	<u>949</u>	<u>495</u>	<u>571</u>

(c) *Related parties transactions*

	Note	Year ended 31 December			Five months ended 31 May	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
Management fee paid to Foshan Finance		—	2,100	900	900	—
Disposal of interest in an associate to Foshan Finance	(i)	—	4,000	—	—	—
Disposal of interest in a joint venture to Foshan Finance		—	—	30,949	—	—
Prepayments to Foshan Finance for acquiring property	14(ii)/28(a)	—	—	54,300	27,000	—
Disposal of investment property to Success Holdings		28,500	—	—	—	—
Disposal of investment in unlisted securities to Mr. Pang Haoquan		—	1,000	—	—	—
Cash dividends received from Success Futures		—	—	7,140	7,140	—
Acquisition of an associate from Yinhe Motor		—	—	18,913	—	—
Acquisition of a vehicle from Success Futures		—	94	—	—	—
Maintenance service rendered by Guangdong Jiayou		—	—	250	250	—
Miscellaneous purchased from Guangdong Jiayou		—	—	131	131	—
Guarantee fee income from Foshan Tiefeng		—	148	320	267	—
Guarantee fee income from Shunde Jiayou		—	4	22	9	9
Guarantee fee income from Xiansheng Steel		—	148	409	257	—
Waiver of loans from the Owners	(ii)/(iii)	—	—	132,233	—	5,174

(i) The associate was jointly set up with Foshan Finance on 25 August 2011.

(ii) Pursuant to the reorganisation, the proceed received from the Owners of RMB132,233,000 were waived on 31 December 2012.

(iii) In order to finance the initial public offering process, the Owners advanced loans to Success Finance with an aggregate amount of RMB5,174,000 on 28 March 2013. The loans were waived by them with effect from 31 May 2013.

(d) *Guarantees provided to related parties*

During the Relevant Periods, the Group issued guarantees to entities owned by the Owners as follows:

	Year ended 31 December			Five months ended 31 May
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees provided for				
— Shunde Jiayou	—	1,667	1,667	1,667
— Foshan Tiefeng	—	18,000	18,000	—
— Xiansheng Steel	—	18,000	18,000	—
	<u>—</u>	<u>36,000</u>	<u>36,000</u>	<u>—</u>

(e) *Guarantees provided by related parties*

The guarantees provided by the Owners to the Group as the end of each reporting period were as follows:

	Note	Year ended 31 December			As at 31 May
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Tiewei	(i)	—	—	50,000	—
Three of the Owners	(ii)	—	—	53,400	31,600
		<u>—</u>	<u>—</u>	<u>103,400</u>	<u>31,600</u>

(i) The guarantee provided by Mr. Zhang Tiewei had been released on 1 March 2013.

(ii) In 2012, Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan entered into an agreement with a bank to provide guarantee for the financial guarantees issued by the Group. The maximum guarantees amount with the bank during the year ended 31 December 2012 and the five months ended 31 May 2013 were RMB62,000,000 and RMB61,000,000, respectively.

(f) *Guarantees referral service*

On 20 December 2010, Success Guarantee entered into a loan arrangement agreement with Foshan Dacheng for guarantee services rendered to those customers who borrow money from China Development Bank (“CDB”). Pursuant to the loan arrangement agreement, Foshan Dacheng as a legal borrower would apply for bank borrowings from CDB on behalf of the referred customers (the “User(s)”). Success Guarantee would provide financial guarantees to CDB for the bank borrowings and would charge guarantee fee to the User. Foshan Dacheng should not bear any default risk of the User.

In practice, Foshan Dacheng, the User and CDB sign a tripartite loan agreement for bank borrowing, and Success Guarantee enters into the guarantee contract with CDB. As Foshan Dacheng is also a party of the loan agreement, there may be risk that Foshan Dacheng be liable for the borrowing if the User or Success Guarantee default the repayment of the bank borrowing.

In order to mitigate Foshan Dacheng’s exposure to the credit risk, Success Guarantee is required to deposit certain amounts of cash into the bank account of Foshan Dacheng as loan arrangement deposits. Success Guarantee and Foshan Dacheng subsequently entered into a pledged deposit agreement of which Success Guarantee would pledged certain receivables to Foshan Dacheng as loan arrangement deposits instead of cash.

The loan arrangement agreement and pledged deposit agreement were renewed with similar terms on 2 December 2011. The new loan arrangement agreement was expired on 1 December 2012. The new pledged deposit agreement was terminated pursuant to a supplementary agreement entered into between Foshan Dacheng and Success Guarantee on 10 October 2012.

As at 31 December 2010 and 2011, payments on behalf of customers amounted to RMB2,115,000 and RMB1,873,000 (net of impairment loss of RMB8,844,000 and RMB9,086,000), and other receivables amounted to RMB2,653,000 and RMB2,653,000 (net of impairment loss of RMB6,395,000 and RMB6,395,000), respectively, were pledged as deposits to Foshan Dacheng according to the pledged deposit agreement.

Guarantee fee income received from the Users for guarantee services referred by Foshan Dacheng is as follows:

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
Guarantee fee income	<u>764</u>	<u>2,929</u>	<u>2,582</u>	<u>603</u>	<u>—</u>

(Unaudited)

(g) *Advances to/from related parties*

During the Relevant Periods, Success Guarantee made/received certain fund transfers to/from certain related parties. All of such fund transfers bear no interest and are repayable upon demand. The directors confirmed that these transactions would cease upon listing. Maximum amounts of advances to related parties outstanding during the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000	2013 RMB'000
				(Unaudited)	
Mr. Zhang Tiewei	100	100	1,913	—	1,979
Mr. Xu Kaiying	—	—	937	—	970
Mr. Pang Haoquan	—	—	900	—	931
Mr. He Darong	—	—	1,000	—	1,035
Mr. Chen Guoxian	—	—	250	—	259
Mr. Yuan Chen	50	50	50	50	50
Success Holdings	131,280	193,272	162,060	162,060	—
Yinhe Motor	38,487	—	—	—	—
Guangdong Jiayou	7,310	—	—	—	—
Success Insurance	50	50	50	50	—
Total	<u>177,277</u>	<u>193,472</u>	<u>167,160</u>	<u>162,160</u>	<u>5,224</u>

(h) *Balances with other related parties*

At each of the end of each reporting period, the Group had the following balances with related parties:

(i) *Amounts due from related parties*

	Note	As at 31 December			As at
		2010 RMB'000	2011 RMB'000	2012 RMB'000	31 May 2013 RMB'000
Foshan Finance	14(ii)/28(a)	—	—	54,300	54,300
Xiansheng Steel		—	—	101	—
Success Holdings		43,412	3,860	—	—
Success Insurance		50	50	—	—
Mr. Zhang Tiewei		100	—	—	—
Mr. Yuan Chen		50	50	50	50
Total		<u>43,612</u>	<u>3,960</u>	<u>54,451</u>	<u>54,350</u>

(ii) Amounts due to related parties

	As at 31 December			As at 31 May
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Foshan Dacheng	—	3,919	—	—

Balances with these related parties are unsecured. Except for the amounts due from Foshan Finance, the balances with these related parties are interest free and have no fixed repayment terms.

26 The Company's statement of financial position

The Company was incorporated in the Cayman Island on 12 January 2012 as an exempted company with limited liability with an authorised share capital of HKD8,000,000, comprising 800,000,000 ordinary shares of HKD0.01 each. One share was allotted and issued at par on 12 January 2012. Additional 9,999 shares were allotted and issued on 16 January 2012. As at 31 December 2012 and 31 May 2013, financial information of the Company is as follows:

	As at 31 December	As at 31 May
	2012 RMB'000	2013 RMB'000
Non-current assets		
Investment in a subsidiary	110	110
Current assets		
Other receivables	—	84
Current liabilities		
Accruals and other payables	—	296
Net current liabilities	—	212
Total assets less current liabilities	110	(102)
Net assets / (liabilities)	110	(102)
Capital and reserves		
Share capital	—	—
Reserves	110	(102)
Total Equity	110	(102)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, <i>Financial instruments: Presentation</i> — <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, <i>Investment entities</i>	1 January 2014
Amendments to HKAS 36, <i>Recoverable amount disclosures for non-financial assets</i>	1 January 2014
HK(IFRIC) 21, <i>Levies</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

28 Subsequent events

(a) *Refund of the prepayment*

In respect of the acquisition of floors of a commercial building located in Foshan as described in Note 14(ii), on 21 October 2013, Success Guarantee entered into a supplementary agreement with Foshan Finance, and Success Asset entered into a supplementary tripartite agreement with Foshan Finance and the constructor. Pursuant to these supplementary agreements, Foshan Finance and the constructor agreed to refund RMB20,893,000 and RMB27,300,000, respectively to the Group. The supplementary agreements also stipulates that upon the premises becoming transferable according to the relevant PRC rules and regulations and the issue of the relevant acknowledgement notices by Foshan Finance, the Group is required to pay the balance of the consideration of RMB48,193,000 to Foshan Finance within 10 days from the receipt of the acknowledgement notices. In the event that the Group revokes the agreements as a result of Foshan Finance's failure or delay in the transfer of the premises, the remaining prepayments of RMB6,107,000 will be fully refundable from Foshan Finance together with a default interest payment of 10% per annum. The aggregate sum of prepayment of RMB48,193,000 was refunded to the Group on 23 October 2013.

(b) *Capitalisation issue*

Pursuant to the written resolutions of the shareholders passed on 18 October 2013, the authorized share capital of the Group was increased from 10,000 to 300,000,000, by creation of additional 299,990,000 shares of HKD0.01 each in the capital of the Group as detailed in the section headed "Statutory and general information" in the Appendix IV of the Prospectus.

(c) *Share option scheme*

The Company has conditionally adopted share option schemes (the "Share Option Schemes") on 18 October 2013. The principal terms of the Share Option Schemes are set out in Section D and E of Appendix IV of the Prospectus. No share option was granted as at the date of this report.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 May 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 31 May 2013.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth below does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the financial information included in the Accountants' Report set forth in Appendix I to this Prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of China Success Finance Group Holdings Limited (the "Company") and its subsidiaries (the "Group") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity owners of the Company as of 31 May 2013 as if the Global Offering had taken place on 31 May 2013.

This pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 May 2013 or at any future date.

	Consolidated net tangible assets attributable to the equity owners of the Company as at 31 May 2013	Estimated net proceeds from the Global Offering	Pro forma adjusted net tangible assets	Pro forma adjusted net tangible assets per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price of HK\$1.80 per Share	416,238	117,185	533,423	1.33	1.68
Based on an Offer Price of HK\$2.80 per Share	416,238	193,960	610,198	1.53	1.93

Notes:

- (1) The consolidated net tangible assets attributable to equity owners of the Company as at 31 May 2013 is based on the consolidated net assets attributable to the equity owners of the Company of approximately RMB416 million as at 31 May 2013.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK\$1.80 and HK\$2.80 per Share after deduction of the underwriting fees and other related expenses payable by the Company and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted or to be granted under the Share Option Schemes. The estimated net proceeds have been converted to Renminbi at the People's Bank of China (the "PBOC") rate of HK\$1.00 to RMB0.7915 prevailing on 18 October 2013.
- (3) The pro forma adjusted net tangible assets are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 shares are expected to be in issue following the Global Offering (including 100,000,000 shares newly issued upon completion of the Global Offering and the respective Offer Prices of HK\$1.80 and HK\$2.80 per Share, but do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted or to be granted under the Share Option Schemes.
- (4) The unaudited pro forma adjusted net tangible assets per share are converted into Hong Kong Dollar at the PBOC rate of HK\$1.00 to RMB0.7915 prevailing on 18 October 2013.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 May 2013.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA SUCCESS FINANCE GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Success Finance Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 May 2013 and related notes as set out in Part A of Appendix II to the prospectus dated 31 October 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 May 2013 as if the Global Offering had taken place at 31 May 2013. As part of this process, information about the Group's financial position as at 31 May 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 May 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the paragraph headed “Use of proceeds” under the section headed “Future plans and use of proceeds from the Global Offering” in the Prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

31 October 2013

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 January 2012 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 18 October 2013 and effective from the Listing Date. The following is a summary of certain provisions of the Articles:

- (a) **Shares**
 - (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

- (ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
--

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
--

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
--

- (cc) if, without special leave, he is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) ***Borrowing powers***

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
--

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution - majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
--

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of Directors in place of those retiring;
 - (dd) the appointment of auditors;
 - (ee) the fixing of the remuneration of the Directors and of the auditors;
 - (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
 - (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.
- (k) **Transfer of shares**

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
--

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of twelve years;
- (ii) upon the expiry of the twelve years and three months period (being the three months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 12 January 2012 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 January 2012. Our Company has established a place of business in Hong Kong at 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance since 22 April 2013. In connection with such registration, our Company has appointed PANG Chung Fai Benny (彭中輝) of 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of various provisions of our Company's constitution and certain relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation of our Company, its authorised share capital was HK\$8,000,000 divided into 800,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued at par to the first subscriber.

On 16 January 2012, the first subscriber's Share was transferred to Expert Depot. On 16 January 2012, our Company issued and allotted for cash at par, 3,824 Shares to Expert Depot, 2,000 Shares to New Maestro, 1,875 Shares to Bliss Success, 1,800 Shares to Novel Heritage and 500 Shares to Insider Solution.

Assuming that the Global Offering becomes unconditional and the issues of the Shares pursuant to the Global Offering and the Capitalisation Issue mentioned herein are made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes, the issued share capital of our Company will be HK\$4,000,000 divided into 400,000,000 Shares, fully paid or credited as fully paid.

Other than pursuant to any options granted or to be granted under the Share Option Schemes, the exercise of the Over-allotment Option or the exercise of the general mandate to issue Shares referred to in the section headed "Further information about our Company — Written resolutions of all the Shareholders passed on 18 October 2013" in this Appendix, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and under the section headed "Reorganisation" in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of all the Shareholders passed on 18 October 2013

On 18 October 2013, written resolutions of all the Shareholders were passed pursuant to which, among others:

- (a) our Company approved and adopted the Articles;
- (b) conditional on (A) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Global Offering, the Over-allotment Option and the Share Option Schemes); and (B) the entering into of the agreement on the Offer Price between the Joint Global Coordinators and our Company; and (C) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreements):
 - (i) the Global Offering was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;
 - (iii) the rules of the Share Option Schemes, the principal terms of which are set out in the sections headed “Pre-IPO Share Option Scheme” and “Post-IPO Share Option Scheme” in this Appendix, respectively, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted or to be granted under the Share Option Schemes; and
 - (iv) conditional upon the share premium amount of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of HK\$2,999,900 from the amount standing to the credit of the share premium account of our Company to pay up in full at par 299,990,000 Shares for allotment and issue to the person(s) whose name(s) appeared on the register of members of our Company at the close of business on 18 October 2013, in proportion to their then existing shareholdings in our Company;
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription or conversion rights attached to any warrants or any securities which are convertible into Shares or pursuant to the exercise of any options granted or to be granted under the Share Option Schemes, any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of share or rights to acquire Shares

or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting) Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws and regulations of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws and regulations of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing. Details of the Reorganisation are set out in the section headed "Reorganisation" in this prospectus.

5. Changes in the share capital of subsidiaries of our Company

Our Company's subsidiaries are referred to in the accountants' report for our Company, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

(a) *Double Chance*

On 8 February 2012, Double Chance was incorporated under the laws of the BVI as a limited liability company, and was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 24 February 2012, one share with a par value of US\$1.00 was issued and allotted to our Company for cash at par.

Pursuant to the share transfer agreement dated 3 September 2012, Double Chance, at the direction of Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen, allotted and issued 10,000 shares each with a par value of US\$1.00 to our Company in consideration of the transfer of 10,000 shares of Success Finance from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen to Double Chance.

(b) *Success Finance*

On 18 November 2011, Success Finance was incorporated under the laws of Hong Kong as a limited liability company, and its authorised share capital was HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00. On the same date, one share with a par value of HK\$1.00 was issued and allotted to the first subscriber, an Independent Third Party, for cash at par.

On 30 December 2011, the first subscriber's share was transferred to Mr. Ngan for cash at par value of HK\$1.00, who held such share on trust for Mr. Zhang. On the same day, Success Finance issued and allotted 9,999 shares each with a par value of HK\$1.00 to Mr. Ngan for cash at par, which were held on trust as to 3,824 shares for Mr. Zhang, 2,000 shares for Mr. He, 1,875 shares for Mr. Xu, 1,800 shares for Mr. Pang and 500 shares for Mr. Chen.

Pursuant to the share transfer agreement dated 3 September 2012, Double Chance, at the direction of Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen, allotted and issued 10,000 shares each with a par value of US\$1.00 to our Company in consideration of the transfer of 10,000 shares of Success Finance from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen to Double Chance.

Upon completion of the above, Double Chance became the sole shareholder of Success Finance.

(c) *Success Asset*

Pursuant to two equity transfer agreements both dated 28 February 2012 entered into by Success Finance with Daihing and AXLE, respectively, Success Finance acquired 13.81% and 26.93% of the equity interests in Success Asset from Daihing and AXLE for cash considerations of US\$136,250 and US\$265,683, respectively.

Pursuant to the agreement dated 15 March 2012 entered into between Yinhe Motor and Success Finance, the registered capital of Success Asset was changed from US\$928,168 to RMB7,682,354 as a result of change in denomination of Success Asset's registered capital from US\$ to RMB. The registered capital of Success Asset was subsequently increased by RMB116,335,629 to RMB124,017,983, among which RMB86,335,629 was contributed by Yinhe Motor by cash, and RMB30,000,000 was contributed by Success Finance by cash. As a result, Success Asset became owned as to 73.29% by Yinhe Motor and 26.71% by Success Finance.

Pursuant to the equity transfer agreement dated 29 May 2012, Success Finance acquired 73.29% equity interests in Success Asset from Yinhe Motor for a cash consideration of RMB90,887,924.

Pursuant to the subscription agreement dated 6 September 2012 and entered into between Shunde Zhongcheng and Success Finance, Shunde Zhongcheng contributed RMB182,000,000 to Success Asset as its increase in registered capital from RMB124,017,983 to RMB125,270,000.

Upon completion of the above, Success Finance and Shunde Zhongcheng held 99% and 1% equity interests in Success Asset, respectively.

(d) *Success Guarantee*

Pursuant to five equity transfer agreements all dated 4 September 2012, Success Asset acquired the entire equity interests of Success Guarantee from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen for cash consideration of RMB275 million in aggregate, which was determined based on the net asset value of Success Guarantee as at 31 December 2011.

Upon completion of the above, Success Asset held the entire equity interests in Success Guarantee.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Regulations of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval in relation to specific transactions^{Note}.

Note: Pursuant to the written resolutions of all the Shareholders passed on 18 October 2013, a general mandate ("**Share Repurchase Mandate**") was given to our Directors authorising any repurchase by our Company of Shares as described above in the section headed "Further information about our Company — Written resolutions of all the Shareholders passed on 18 October 2013" in this Appendix.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

(b) *Exercise of the Share Repurchase Mandate*

Exercise in full of the Share Repurchase Mandate, on the basis of 400,000,000 Shares to be in issue immediately after completion of the Global Offering (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted or to be granted under the Share Option Schemes), could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the course of the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held;
or
- (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Share Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilised in this connection, including profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital of our Company. Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) *General*

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Share Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention, if the Share Repurchase Mandate is approved by the Shareholders, to sell any Shares to our Company or its subsidiaries.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell any Shares to our Company or has undertaken not to do so, if the Share Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the equity transfer agreement dated 28 February 2012 and entered into between Success Finance and Daihing, pursuant to which Success Finance agreed to acquire 13.81% equity interests in Success Asset from Daihing for a cash consideration of US\$136,250;
- (b) the equity transfer agreement dated 28 February 2012 and entered into between Success Finance and AXLE, pursuant to which Success Finance agreed to acquire 26.93% equity interests in Success Asset from AXLE for a cash consideration of US\$265,683;
- (c) the agreement dated 15 March 2012 and entered into between Yinhe Motor and Success Finance, pursuant to which Yinhe Motor and Success Finance agreed that the denomination of registered capital of Success Asset be changed from US\$ to RMB and the registered capital of Success Asset be increased by RMB116,335,629 to RMB124,017,983, among which, Yinhe Motor and Success Finance agreed to contribute RMB86,335,629 and RMB30,000,000 to Success Asset as its increase in registered capital, respectively;
- (d) the equity transfer agreement dated 29 May 2012 and entered into between Success Finance and Yinhe Motor, pursuant to which Success Finance agreed to acquire 73.29% equity interests in Success Asset from Yinhe Motor for a cash consideration of RMB90,887,924;
- (e) the equity transfer agreement dated 20 June 2012 and entered into between Success Guarantee and Foshan Finance, pursuant to which Foshan Finance agreed to acquire 51% equity interests in Success Futures from Success Guarantee for a cash consideration of RMB30,948,664.83;
- (f) the share transfer agreement dated 3 September 2012 and entered into between Double Chance, Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang, Mr. Chen and Mr. Ngan, pursuant to which Double Chance agreed to acquire 10,000 shares of Success Finance from Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen in consideration of the allotment and issue of 10,000 shares each with a par value of US\$1.00 to our Company at the direction of Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen;
- (g) the equity transfer agreement dated 4 September 2012 and entered into between Success Asset and Mr. Zhang, pursuant to which Success Asset agreed to acquire 38.25% equity interests in Success Guarantee from Mr. Zhang for a cash consideration of RMB105,187,500;
- (h) the equity transfer agreement dated 4 September 2012 and entered into between Success Asset and Mr. He, pursuant to which Success Asset agreed to acquire 20% equity interests in Success Guarantee from Mr. He for a cash consideration of RMB55,000,000;
- (i) the equity transfer agreement dated 4 September 2012 and entered into between Success Asset and Mr. Xu, pursuant to which Success Asset agreed to acquire 18.75% equity interests in Success Guarantee from Mr. Xu for a cash consideration of RMB51,562,500;

- (j) the equity transfer agreement dated 4 September 2012 and entered into between Success Asset and Mr. Pang, pursuant to which Success Asset agreed to acquire 18% equity interests in Success Guarantee from Mr. Pang for a cash consideration of RMB49,500,000;
- (k) the equity transfer agreement dated 4 September 2012 and entered into between Success Asset and Mr. Chen, pursuant to which Success Asset agreed to acquire 5% equity interests in Success Guarantee from Mr. Chen for a cash consideration of RMB13,750,000;
- (l) the subscription agreement dated 6 September 2012 and entered into between Shunde Zhongcheng and Success Finance, pursuant to which Shunde Zhongcheng agreed to contribute RMB182,000,000 to Success Asset as its increase in registered capital from RMB124,017,983 to RMB125,270,000;
- (m) the equity transfer agreement dated 10 December 2012 and entered into between Success Guarantee and Yinhe Motor, pursuant to which Success Guarantee agreed to acquire 9.09% equity interests in Success Credit from Yinhe Motor for a cash consideration of RMB18,913,380;
- (n) the equity transfer agreement dated 10 December 2012 and entered into between Success Guarantee and Foshan Ruiqi, pursuant to which Success Guarantee agreed to acquire 9.09% equity interests in Success Credit from Foshan Ruiqi for a cash consideration of RMB18,913,380;
- (o) the promissory note dated 14 March 2013 and signed by Success Finance, pursuant to which Success Finance promised to pay the aggregate amount equivalent to RMB132,233,000 to Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen;
- (p) the deed of waiver dated 14 March 2013 and entered into by, among others, Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang, Mr. Chen and Success Finance, pursuant to which Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen waived certain loans in the aggregate amount equivalent to RMB132,233,000 to Success Finance with effect from 31 December 2012;
- (q) the promissory note dated 3 July 2013 and signed by Success Finance, pursuant to which Success Finance promised to pay the aggregate amount equivalent to approximately RMB5,174,000 to Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen;
- (r) the deed of waiver dated 3 July 2013 and entered into by, among others, Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang, Mr. Chen and Success Finance, pursuant to which Mr. Zhang, Mr. He, Mr. Xu, Mr. Pang and Mr. Chen waived certain loans in the aggregate amount equivalent to approximately RMB5,174,000 to Success Finance with effect from 31 May 2013;

- (s) the joint development agreement dated 6 April 2012 and entered into between Success Guarantee and Foshan Finance, pursuant to which Success Guarantee agreed to acquire an office premises upon its completion for a cash consideration of RMB 27,000,000;
- (t) the supplemental joint development agreement dated 21 October 2013 and entered into between Success Guarantee and Foshan Finance, pursuant to which Foshan Finance refunded the prepayment of RMB 20,893,200 to Success Guarantee;
- (u) the joint development agreement dated 12 October 2012 and entered into between Success Asset, Foshan Finance and 開平市住宅建築工程集團公司 (Kaiping Residential Construction Engineering Group Company), pursuant to which Success Asset agreed to acquire an office premises upon its completion for a consideration of RMB 27,300,000;
- (v) the supplemental joint development agreement dated 21 October 2013 and entered into between Success Asset, Foshan Finance and 開平市住宅建築工程集團公司 (Kaiping Residential Construction Engineering Group Company), pursuant to which the prepayment of RMB 27,300,000 was refunded to Success Asset;
- (w) the Public Offer Underwriting Agreement;
- (x) the Deed of Indemnity; and
- (y) the Deed of Non-competition.

2. Intellectual property rights

- (a) As at the Latest Practicable Date, our Group was the licensee of the following registered trademarks in the PRC:

Trademark	Class	Place of registration	Registration number	Name of registered proprietor	Date of registration of trademark	Expiry date	Name of licensee	Term of licence
	36	PRC	8164452	Success Holdings	21 April 2011	20 April 2021	Success Asset	From 18 October 2013 to 17 October 2016
	36	PRC	6056953	Success Holdings	7 March 2010	6 March 2020	Success Asset	From 18 October 2013 to 17 October 2016

(b) As at the Latest Practicable Date, our Group was the licensee of the following registered trademarks in Hong Kong:

Trademark	Class	Place of registration	Registration number	Name of registered proprietor	Date of registration of trademark	Name of licensee	Term of licence
A 	36	Hong Kong	302379934	Success Holdings	17 September 2012	Our Company	From 17 September 2012 to 16 September 2017
B 							
C 							
A 	36	Hong Kong	302379943	Success Holdings	17 September 2012	Our Company	From 17 September 2012 to 16 September 2017
B 							
C 							
A 	36	Hong Kong	302379952	Success Holdings	17 September 2012	Our Company	From 17 September 2012 to 16 September 2017
B 							
C 							

(c) As at the Latest Practicable Date, our Group was the registered owner of the following domain name:

Registrant	Domain name	Registration date	Expiry date
Success Guarantee	www.gdjcrzdb.cn	29 June 2012	29 June 2014

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Interest in Shares*

Immediately following completion of the Global Offering (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options granted or to be granted under the Share Option Schemes), the interests or short positions of each of our Directors and chief executive in the share capital, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such

provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

Name	Long/Short Position	Type of interest	Number of Shares (immediately after completion of the Global Offering but without taking into account the exercise of the Over-allotment Option)	Approximate percentage of shareholding in our Company (immediately after completion of the Global Offering but without taking into account the exercise of the Over-allotment Option)
Mr. Zhang ⁽¹⁾	Long	Interest in a controlled corporation	114,750,000	28.69%
Mr. He ⁽²⁾	Long	Interest in a controlled corporation	60,000,000	15.00%
Mr. Xu ⁽³⁾	Long	Interest in a controlled corporation	56,250,000	14.06%
Mr. Pang ⁽⁴⁾	Long	Interest in a controlled corporation	54,000,000	13.50%

Notes:

- Such Shares were held by Expert Depot, a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang, our chairman and executive Director.
- Such Shares were held by New Maestro, a company incorporated in the BVI whose entire issued share capital is held by Mr. He, our non-executive Director.
- Such Shares were held by Bliss Success, a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu, our non-executive Director.
- Such Shares were held by Novel Heritage, a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang, our non-executive Director.

(b) *Particulars of service agreements*

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date. Particulars of the service agreements of our Directors are in all material respects the same. The salary of our executive Directors is subject to review each year.

Pursuant to the service agreements between our Company and each of Mr. Zhang and Mr. Li Bin (all of whom are executive Directors), both of their salaries are HK\$10,000 per month. In addition, Mr. Lin Bin has an employment agreement with Success Guarantee as its general manager where his current monthly salary is approximately RMB15,000.

None of our non-executive Directors (including our independent non-executive Directors) has entered into any service agreement with our Group. Pursuant to the letters of appointment of our non-executive Directors (including our independent non-executive Directors), the term of appointment of each of such Directors is three years commencing from the date of appointment which may be terminated by either party by giving one months' written notice.

Pursuant to the letters of appointment between our Company and each of Mr. He, Mr. Xu and Mr. Pang (all of whom are non-executive Directors), all of their fees are HK\$10,000 per month.

Pursuant to the letters of appointment between our Company and each of Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan (all of whom are independent non-executive Directors), all of their fees are HK\$10,000 per month.

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Directors' remuneration*

- (i) Approximately RMB238,000 and RMB154,000 were paid to our Directors by our Group as remuneration (including housing allowances, other allowances and benefits in kind) in respect of the financial year ended 31 December 2012 and the five months ended 31 May 2013.
- (ii) Approximately HK\$528,000 (excluding any management bonus, if any) as remuneration is estimated to be paid to our Directors by our Group in respect of the financial year ending 31 December 2013 pursuant to the present arrangement.
- (iii) Save as disclosed in this prospectus, no Director received any remuneration or benefits in kind from our Group for the financial year ended 31 December 2012 and the five months ended 31 May 2013.

2. Substantial Shareholders

(a) *Interests in our Company*

So far as our Directors are aware, immediately following completion of the Global Offering (but taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options granted or to be granted under the Share Option Schemes), in addition to the interests disclosed under the section headed “Further information about our Directors and substantial Shareholders — Directors” above, the persons (not being a director or chief executive of our Company) who will have interests or short positions in the Shares and underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Long/Short Position	Type of interest	Number of Shares (immediately after completion of the Global Offering but without taking into account the exercise of the Over-allotment Option)	Approximate percentage of shareholding in our Company (immediately after completion of the Global Offering but without taking into account the exercise of the Over-allotment Option)
Expert Depot ⁽¹⁾	Long	Beneficial interest	114,750,000	28.69%
New Maestro ⁽²⁾	Long	Beneficial interest	60,000,000	15.00%
Bliss Success ⁽³⁾	Long	Beneficial interest	56,250,000	14.06%
Novel Heritage ⁽⁴⁾	Long	Beneficial interest	54,000,000	13.50%

Notes :

- Expert Depot is a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang, our chairman and executive Director.
- New Maestro is a company incorporated in the BVI whose entire issued share capital is held by Mr. He, our non-executive Director.
- Bliss Success is a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu, our non-executive Director.
- Novel Heritage is a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang, our non-executive Director.

3. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the section headed “Other information — Qualifications of experts” in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of any other member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in the section headed “Other information — Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Other information — Qualifications of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

4. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 25 of section B of the accountants’ report set out in Appendix I to this prospectus and in the section headed “Connected transactions” in this prospectus.

D. PRE-IPO SHARE OPTION SCHEME**1. Summary of terms**

The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant options to the participants as incentive or rewards for their contributions to our Group.

The principal terms of the Pre-IPO Share Option Scheme, approved by the written resolutions passed by our Shareholders on 18 October 2013, are substantially the same as the terms of the Post-IPO Share Option Scheme except that:

- (i) options granted thereunder shall vest in the relevant option holder in tranches in the following manner:
 - (a) 50% of the options shall vest and become exercisable on 30 June 2014;
 - (b) 30% of the options shall vest and become exercisable on 30 June 2016;
 - (c) 20% of the options shall vest and become exercisable on 30 June 2018;
- (ii) the total number of Shares subject to the options to be granted under the Pre-IPO Share Option Scheme is 10,000,000 Shares, representing 2.5% of the issued share capital of our Company as at the Listing Date without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options to be granted under the Post-IPO Share Option Scheme and approximately 2.44% of the enlarged total issued share capital of our Company as at the Listing Date assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Post-IPO Share Option Scheme;
- (iii) save for the options which have been granted (see below), no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will end upon Listing;
- (iv) the Pre-IPO Share Option Scheme contains no provisions relating to (a) the granting of options to connected persons; (b) the refreshment of the 10% limit or the seeking of separate approval for granting options beyond the 10% limit as anticipated in the note to Rule 17.03(3) of the Listing Rules; and (c) the restrictions on the number of Shares issued or to be issued pursuant to the exercise of any options granted in any 12-month period to any eligible participant of the Pre-IPO Share Option Scheme not exceeding 1% of the Shares in issue as anticipated in the note to Rule 17.03(4) of the Listing Rules;
- (v) no option shall be exercised if, as a result of such exercise, our Company will not be able to comply with the public float requirements of the Listing Rules; and
- (vi) there is no prohibition on granting of options after inside information has come to our Company's knowledge.

Application has been made to the Stock Exchange for the approval of the listing of, and permission to deal in, the 10,000,000 Shares to be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

2. Outstanding options to be granted

Options to subscribe for an aggregate of 10,000,000 Shares (representing 2.5% of the issued share capital of the Company as at the Listing Date without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes and approximately 2.44% of the enlarged issued share capital of our Company as at the Listing Date assuming full exercise of all the options granted under the Pre-IPO Share Option Scheme but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Post-IPO Share Option Scheme) at an exercise price of HK\$1.90, representing approximately 17.4% discount to HK\$2.30, being the mid-point of the indicative Offer Price range, will be conditionally granted to 50 participants by our Company prior to the Listing Date, each at a consideration of HK\$1.00 under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme will be granted prior to the Listing Date and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date or thereafter.

Particulars of the options to be granted under the Pre-IPO Share Option Scheme are as follows:

Name of grantee	Address	Position	Number of Shares subject to the options	Approximate percentage of issued share capital of our Company after completion of the Capitalisation Issue and the Global Offering and assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme
Li Bin (李斌)	Suite 601, Block 27 Hua Yuan Second Street Chancheng District Foshan, Guangdong Province The PRC	Chief Executive Officer & Executive Director	1,000,000	0.244%
Dai Jing (戴菁)	Suite 802, No.90 Jinyu Street Chancheng District Foshan, Guangdong Province The PRC	Senior Vice General Manager of Success Guarantee	900,000	0.220%
Zhong Zhiqiang (鍾志强)	Suite 509, No.5 Foping Road Chancheng District Foshan, Guangdong Province The PRC	Risk Control Director of Success Guarantee	800,000	0.195%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of grantee	Address	Position	Number of Shares subject to the options	Approximate percentage of issued share capital of our Company after completion of the Capitalisation Issue and the Global Offering and assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme
Yuan Chen (袁晨)	Suite 402, Block 14 Dacao Lane, Guangling District Yangzhou, Jiangsu Province The PRC	Vice General Manager of Success Guarantee	800,000	0.195%
Liang Tao (梁濤)	Suite 402, No.40 Heping Road Yuexiu District, Guangzhou Guangdong Province The PRC	Chief Financial Officer	500,000	0.122%
Zhao Minquan (招敏全)	Suite 404, No.30 Fenjiang Middle Road Chancheng District Foshan, Guangdong Province The PRC	Department General Manager	500,000	0.122%
Huang Yuan (黃源)	1-301, Block 3, No.18 Huancheng Road Southwest Sub-district Sanshui District Foshan, Guangdong Province The PRC	Branch Office General Manager	450,000	0.110%
Yang Jiancai (楊健財)	No.176 Old Chaodongguofang Village Huanshi Town Chancheng District Foshan, Guangdong Province The PRC	Department General Manager	500,000	0.122%
Qin Chaodong (秦朝東)	Suite 602, No. 14 Beibian Lane, Chancheng District Foshan, Guangdong Province The PRC	Department General Manager	500,000	0.122%
Yi Ke (易科)	No. 2 Renmin West Road Chancheng District Foshan, Guangdong Province The PRC	Branch Office Vice General Manager	300,000	0.073%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of grantee	Address	Position	Number of Shares subject to the options	Approximate percentage of issued share capital of our Company after completion of the Capitalisation Issue and the Global Offering and assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme
Feng Zhaojian (馮昭健)	Suite 401, Block 18 Dongli Mansion, Fenghua Road Ronggui Sub-district Shunde District Foshan, Guangdong Province The PRC	Branch Office Vice General Manager	300,000	0.073%
Lian Yiluan (連奕燮)	Suite 304, No. 15 Tonghua East Second Road Chancheng District Foshan, Guangdong Province The PRC	Department General Manager	500,000	0.122%
Yu Jianqun (俞建群)	Suite 403, No. 36 Yongdong Second Street Chancheng District Foshan, Guangdong Province The PRC	Department General Manager	350,000	0.085%
Zhang Jing (張靜)	No. 116 Chayi Street Shangnan County Shaanxi Province The PRC	Department Vice General Manager	300,000	0.073%
Su Weiliang (蘇偉良)	Suite 507, No.63 Jianhong Street, Chancheng District Foshan, Guangdong Province The PRC	Employee	200,000	0.049%
Chen Haiping (陳海萍)	Suite 405, No.2 Jianshe First Street, Chancheng District Foshan, Guangdong Province The PRC	Employee	50,000	0.012%
Chen Liuying (陳柳瑩)	Suite 704, Block 7 No. 36 Xinfeng Road Chancheng District Foshan, Guangdong Province The PRC	Employee	380,000	0.093%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of grantee	Address	Position	Number of Shares subject to the options	Approximate percentage of issued share capital of our Company after completion of the Capitalisation Issue and the Global Offering and assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme
Hu Xiuwen (胡秀雯)	Suite 104, Block 1 Wendong Street Ronggui Sub-district Shunde District Foshan, Guangdong Province The PRC	Employee	150,000	0.037%
Xian Jiechang (洗潔嫦)	Suite 404, No. 71 Nanhai Road North Guicheng Sub-district Nanhai District Foshan, Guangdong Province The PRC	Employee	150,000	0.037%
Tian Wen (田文)	No. 294, 11th Village Group Datian Village Longdong Town Xiangxiang Hunan Province The PRC	Employee	50,000	0.012%
Qian Beilei (錢蓓蕾)	No.12, 13th Lane, North Zhongda Street Luonan Gaodun Village Nanzhuang Town Chancheng District Foshan, Guangdong Province The PRC	Employee	60,000	0.015%
Long Dan (龍丹)	No. 92 Deshan Xianqiao Road Wuling District Changde, Hunan Province The PRC	Employee	40,000	0.010%
Xu Jia (徐佳)	No. 103 Fenghua New Village, Wenfeng Town Jishui County Ji'an, Jiangxi Province The PRC	Employee	40,000	0.010%
Ma Shuai (馬帥)	Suite 103, Block 36 No. 5 Hebin Road Chancheng District Foshan, Guangdong Province The PRC	Employee	100,000	0.024%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of grantee	Address	Position	Number of Shares subject to the options	Approximate percentage of issued share capital of our Company after completion of the Capitalisation Issue and the Global Offering and assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme
Liu Gen (劉根)	Floor 8, No. 32 Jihua 5th Road Chancheng District Foshan, Guangdong Province The PRC	Employee	50,000	0.012%
Feng Jiamin (馮嘉璿)	Suite 504, No. 6 Tiyu Road Chancheng District Foshan, Guangdong Province The PRC	Employee	50,000	0.012%
Zhang Shenglan (張勝籃)	Suite 503, No. 6 Zumiao Road, Chancheng District Foshan, Guangdong Province The PRC	Employee	150,000	0.037%
Wang Guohua (王國華)	No. 11 Qinggong 3rd Road Chancheng District Foshan, Guangdong Province The PRC	Employee	100,000	0.024%
Xiao Chunni (肖春妮)	8th Floor, No. 32 Jihua 5th Road Chancheng District Foshan, Guangdong Province The PRC	Employee	60,000	0.015%
Lian Changning (練昌寧)	Suite 501, Block 1 Nanchong Haigang Center Chencun Town Shunde District Foshan, Guangdong Province The PRC	Employee	60,000	0.015%
Li Jingjian (李景健)	No.9, 12th Lane Desheng Zhongyu Village Lishui Town, Nanhai District Foshan, Guangdong Province The PRC	Employee	80,000	0.020%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of grantee	Address	Position	Number of Shares subject to the options	Approximate percentage of issued share capital of our Company after completion of the Capitalisation Issue and the Global Offering and assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme
Yuan Chuhong (袁楚虹)	Suite 701, Block 12 Liuyuan 3rd Street Chancheng District Foshan, Guangdong Province The PRC	Employee	40,000	0.010%
Huo Qiaofen (霍俏芬)	No.3 Huojia 1st Lane Shangenshen Village Xiqiao Town Nanhai District Foshan, Guangdong Province The PRC	Employee	50,000	0.012%
He Minling (何敏鈴)	No.2, 13th Lane, Fuqing Street, Daliang Sub-district Shunde District Foshan, Guangdong Province The PRC	Employee	70,000	0.017%
Liang Guorui (梁國睿)	Suite 402 of No.228 Lianhua Road, Chancheng District Foshan, Guangdong Province The PRC	Employee	20,000	0.005%
Gao Mingrui (高明瑞)	No.21 Luntou Road Haizhu District Guangzhou Guangdong Province The PRC	Employee	40,000	0.010%
Lin Xiaofeng (林小鳳)	No.11 Santang Tantou Village Liantangmian Village Committee, Sanhe Economic Development Zone Huiyang District, Huizhou Guangdong Province The PRC	Employee	40,000	0.010%
Lu Minjun (盧敏君)	No.9 Desheng Lane Xiqiao Louchong Village Jiujiang Town Nanhai District Foshan, Guangdong Province The PRC	Employee	30,000	0.007%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of grantee	Address	Position	Number of Shares subject to the options	Approximate percentage of issued share capital of our Company after completion of the Capitalisation Issue and the Global Offering and assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme
Wang Zijing (王子京)	Suite 704, Block 10 No.1 Zhuhai Avenue Nanping, Xiangzhou District Zhuhai, Guangdong Province The PRC	Employee	30,000	0.007%
Han Shuya (韓淑雅)	8th Floor, No.32 Jihua 5th Road, Chancheng District Foshan, Guangdong Province The PRC	Employee	30,000	0.007%
Chen Zhimin (陳志敏)	Suite 704, No.22 Sichou Avenue, Chancheng District Foshan, Guangdong Province The PRC	Employee	30,000	0.007%
Feng Bixia (馮碧霞)	No.5 Zhuzili, Daliang Sub-district Shunde District Foshan, Guangdong Province The PRC	Employee	30,000	0.007%
Tang Jialin (湯嘉琳)	2nd Floor, No.3 Wen Sha Dong 2nd Street Chancheng District Foshan, Guangdong Province The PRC	Employee	20,000	0.005%
Mai Weiqiang (麥偉強)	No.1, 4th Lane Liangjun Road, Xingtang Town Shunde District Foshan, Guangdong Province The PRC	Employee	10,000	0.002%
Xu Shengchang (許勝昌)	No.14 Southward New House, Team 3 of Qing Village Xinhua Sub-district Huadu District Guangzhou Guangdong Province The PRC	Employee	10,000	0.002%

APPENDIX IV
STATUTORY AND GENERAL INFORMATION

Name of grantee	Address	Position	Number of Shares subject to the options	Approximate percentage of issued share capital of our Company after completion of the Capitalisation Issue and the Global Offering and assuming full exercise of all the options to be granted under the Pre-IPO Share Option Scheme
Chen Fang (陳放)	Suite 901, Block B No.18 Xinshang Road Xinyi, Guangdong Province The PRC	Employee	10,000	0.002%
Tan Minying (譚敏澄)	Suite 501, Block 3 of Yongcui, Jin Se Jia Yuan, No.16 Guiping West Road Guicheng Sub-district Nanhai District Foshan, Guangdong Province The PRC	Employee	10,000	0.002%
He Haibin (何海彬)	Suite 702, No.35 Xingrenli Chancheng District Foshan, Guangdong Province The PRC	Employee	10,000	0.002%
Wu Zhiping (吳志平)	Suite 101, No.1 Linggu Road Xiugu Town, Jinxi County Wuzhou, Jiangxi Province The PRC	Employee	40,000	0.010%
Zeng Qinghua (曾慶華)	Suite 101, Block 2 3rd Lane Tongle Road Southwest Sub-district Sanshui District Foshan, Guangdong Province The PRC	Employee	10,000	0.002%
Total:			<u>10,000,000</u>	<u>2.44%</u>

Out of the Shares to be issued upon the exercise of all the options to be granted under the Pre-IPO Share Option Scheme, options representing 1,000,000 Shares will be granted to Directors, options representing 3,000,000 Shares will be granted to the senior management of our Group, options representing 6,000,000 Shares will be granted to other employees and officers of our Group.

Assuming that all of the outstanding options to be granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interest of the public would be changed from 25% to approximately 26.59% of the total issued share capital of our Company immediately after completion of the Global Offering.

The exercise price for the options set out in the table above is HK\$1.90, representing approximately 17.4% discount to HK\$2.30, being the mid-point of the indicative Offer Price range. The number of options to be granted to each grantee under the Pre-IPO Share Option Scheme was determined by the Board based upon a number of factors including experience, the length of service and performance of the grantee, the contribution to our Group, the requirement that the Shares be listed on a recognised stock exchange before the options could be exercised and an estimate of the likely period before which any such listing would occur.

The options to be issued under the Pre-IPO Share Option Scheme represent 2.5% of the share capital of the Company as at the Listing Date. If all options are exercised, this would have a dilutive effect on the Shareholders of approximately 2.44% and a dilutive effect of approximately 2.44% on earnings per Share. Pursuant to the HKFRSs, the fair value of the options granted under the Pre-IPO Share Option Scheme at the date of grant of such options will be charged to the consolidated statement of profit or loss of our Group over their respective vesting periods.

However, as the options are exercisable over a period of not less than five years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

E. POST-IPO SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	18 October 2013, the date on which the Post-IPO Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Grantee”	any Participant who accept an Offer in accordance with the terms of the Post-IPO Share Option Scheme
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Offer”	an offer of the grant of Options made in accordance with the terms of the Post-IPO Share Option Scheme
“Offer Date”	the date of Offer
“Option(s)”	option(s) to subscribe for Shares granted and accepted pursuant to the Post-IPO Share Option Scheme

“Option Period”	the period for the exercise of an Option to be notified by the Board to the Grantee, but in any event shall not exceed ten years from the Offer Date
“Participant”	any person who satisfied the eligibility requirements set out in paragraph (b)(2) below
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Post-IPO Share Option Scheme conditionally adopted by the written resolutions of all Shareholders passed on 18 October 2013:

(1) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine any performance target to be achieved as well as the minimum period that an Option must be held before an Option can be exercised on a case by case basis, and that the Subscription Price of an Option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that a grantee of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the Options granted.

(2) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Company, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Company, Options to subscribe at a price calculated in accordance with paragraph (3) below for such number of Shares as it may determine in accordance with the terms of the Post-IPO Share Option Scheme.

The basis of eligibility of any participant to the grant of any Option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(3) *Price of Shares and grant of Options and consideration for the Options*

- (i) the Subscription Price shall be determined solely by the Board and notified to a Participant and shall be at least the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and (c) the nominal value of a Share on the Offer Date.
- (ii) A nominal consideration of HK\$1.00 is payable on acceptance of the grant of Options.

(4) *Maximum number of Shares*

- (i) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Post-IPO Share Option Scheme or any other share option schemes of our Company if this will result in the limit being exceeded.
- (ii) Subject to sub-paragraphs (iii) and (iv) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Post-IPO Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue upon the Listing Date (i.e. 40,000,000 Shares assuming the Over-allotment Option is not exercised at all).
- (iii) The 10% limit as mentioned under above sub-paragraph (ii) may be refreshed at any time by approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Post-IPO Share Option Scheme and other share option schemes of our Company) will not be counted for the purpose of calculating the limit as "refreshed". A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (iv) Subject to the above sub-paragraph (i), our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the 10% limit under sub-paragraphs (ii) and (iii) provided the Options in excess of the limit are granted only to Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of the specified persons who may be granted such Options, the number and terms of such Options to be granted and the purpose of granting such Options to the specified persons with an explanation of how the terms of the Options will serve the purpose and all other information required under the Listing Rules.

(5) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding Options) under the Post-IPO Share Option Scheme or any other share option schemes of our Company in any 12-month period up to date of grant must not exceed 1% of the Shares in issue. Any further grant must be separately approved by our Shareholders in general meeting with such Participant and his associates abstaining from voting, and the number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before the Shareholders' approval. In such event, our Company must send a circular to the Shareholders containing the identity of the Participant, the number and terms of Options to be granted (and Options previously granted to such person) and all other information required under the Listing Rules.

(6) *Grant of Options to certain connected persons*

- (i) Any grant of an Option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option).
- (ii) Where any grant of Options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Post-IPO Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Options is required to be approved by Shareholders in general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an Option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(7) *Restrictions on the timing of grant of Options*

An offer for the grant of Options may not be made after inside information has come to our Company's knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules.

(8) *Timing of exercise of Option*

An Option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(9) *Administration of exercise of Option*

- (i) An Option may be exercised in whole or in part in the manner by the Grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price of the Shares in respect of which the notice is given together with the reasonable administration fee specified by our Company from time to time. Within 28 days after receipt of the notice and the remittance, our Company shall issue and allot the relevant Shares, credited as fully paid, and a share certificate for the relevant Shares so allotted to the Grantee.
- (ii) A Grantee shall ensure that any exercise of his Option under paragraph (9) is valid and complies with all laws, legislations and regulations to which he is subject. Our Directors may, as a condition precedent to allotting Shares upon an exercise of an Option, require the relevant Grantee to produce such evidence as they may reasonable require for such purpose.

(10) *Rights are personal to grantee*

An Option shall be personal to the Grantee. Except for the transmission of an Option on the death of a Grantee to his/her legal personal representative(s), the Option shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose or create any interest in favor of any third party over or in relation to any Option (where the Grantee is a company, any change of its major shareholder or any substantial change in its management will be deemed to be a sale or transfer of interest as aforesaid, if so determined by our Directors at their sole discretions). Any breach of the foregoing by a Grantee shall entitle our Company to cancel, revoke or terminate any Option granted to such Grantee to the extent not already exercised.

(11) *Performance targets*

The Board may at its absolute discretion to determine and state in the Offer for the grant of Option to a Grantee that a performance target must be achieved before any Option granted under the Share Options Scheme can be exercised.

(12) *Rights on death*

In the event that the Grantee (being an individual) dies before exercising the Option in full, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent which has become exercisable and not already exercised) within the period of 12 months following his death PROVIDED THAT where any of the events set out in paragraphs (15) and (16) occurs prior to his death or within such 12-month period following his death, then his legal personal representative(s) may so exercise the Option within such of the various periods respectively set out in such paragraphs

instead of the period referred to in this paragraph (12) and provided further that if within a period of three years prior to the Grantee's death, the Grantee had committed any of the acts as specified in paragraph (23)(iv) below which would have entitled our Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option of the Grantee (to the extent not already exercised) by written notice to his legal personal representatives and the Option (to the extent not already exercised) shall lapse on the date of the relevant Board resolution.

(13) Rights on ceasing employment

In the event that the Grantee is an employee of our Group when an Offer is made to him and he subsequently ceases to be an employee of our Group for any reason other than (i) his death or (ii) the termination of his employment on one or more of the grounds specified in paragraph (23)(iv) below, the Option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day on which the Grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(14) Rights on dismissal

In the event that the Grantee is an employee of our Group when an Offer is made to him and he subsequently ceases to be an employee by reason of a termination of his employment on one or more of the grounds specified in paragraph (23)(iv) and the Grantee has exercised the Option in whole or in part pursuant to paragraph (9), but Shares have not been allotted to him, the Grantee shall, unless the Board determines otherwise, be deemed not to have so exercised such Option and our Company shall return to the Grantee the amount of the Subscription Price for the Shares in respect of the purported exercise of such Option.

(15) Rights on winding-up

In the event a general meeting is convened for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, each Grantee shall be entitled to exercise all or any of his/her Options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company in accordance with the terms of the Post-IPO Share Option Scheme, accompanied by a remittance for the full amount of the aggregate Subscription Price of the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(16) Rights on a general offer, a compromise or arrangement

In the event of a general or partial offer (whether by way of takeover offer or share repurchase offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offer or and/or any persons controlled by the offer or and/or any person acting in association or concert with the offer or) our Company shall use its best endeavors to procure that an appropriate offer is extended to all Grantees (on comparable terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, as Shareholders). If such

offer becoming or being declared unconditional, a Grantee shall, notwithstanding any terms on which his Option was granted, be entitled to exercise the Option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

In the event of a compromise or arrangement between our Company and our Shareholders or its creditors being proposed in connection with a scheme for the reconstruction of our Company or its merger or consolidation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the Grantees on the same day as it gives notice of the meeting to our Shareholders or its creditors to consider such a compromise or arrangement and the Options (to the extent not already exercised) shall become exercisable in whole or in part on such date until the earlier of (i) two months after that date or (ii) at any time not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the "Suspension Date"), by giving notice in writing to our Company in accordance with paragraph (9) above, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the Grantee credited as fully paid. With effect from the Suspension Date, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph (16) shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Post-IPO Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of our officers for any loss or damage sustained by any Grantee as a result of such proposal.

(17) Adjustments to the Subscription Price

- (i) In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation or subdivision of shares of our Company, such corresponding adjustments (if any) shall be made in:
 - (a) the number of Shares subject to the Options so far as unexercised; and/or
 - (b) the Subscription Prices of any unexercised Options,

as the auditors shall certify in writing or the financial adviser shall confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the Listing Rules (or any guideline or supplementary guidance as may be issued by the

Stock Exchange from time to time) (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that the overriding principle is that no adjustments should be made to the advantage of the Grantee or that would increase the intrinsic value of any Option.

For avoidance of doubt, (aa) an issue of any securities of our Company for cash or as consideration in respect of a transaction; and (bb) an issue of any securities of our Company under the authority of a general mandate or specific mandate granted to the Board by the Shareholders, will not be regarded as circumstances requiring adjustment under this paragraph (17)(i).

- (ii) Any adjustment under paragraph (17)(i) will be made, to the extent practicable, in accordance with the following:
 - (a) any such adjustment shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such adjustment shall remain the same as that to which he was entitled before such adjustment;
 - (b) no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value;
 - (c) the auditors or financial adviser selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment is in their opinion fair and reasonable and in compliance with the relevant provisions of the Listing Rules (or any guideline or supplementary guidance as may be issued by the Stock Exchange from time to time) (no such confirmation is required in case of adjustment made on a capitalisation issue).

(18) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Memorandum and the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted and issued upon the exercise of any Option shall not carry any voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

(19) *Period of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date.

(20) *Restrictions on the time of the Offer*

No Offer may be made after inside information has come to our Company's knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. No Option may be granted during the period commencing one month immediately before the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the last day on which our Company shall announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

(21) *Cancellation of Options*

Any cancellation of Options granted but not exercised may be effected on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels Options and issues new ones to the same Grantee, the issue of such new Options may only be made under the Post-IPO Share Option Scheme with available unissued Options (excluding the cancelled Options) and in compliance with the terms of the Post-IPO Share Option Scheme, in particular within the limit approved by the Shareholders and, subject to the maximum number of Shares available for subscription stipulated under the Listing Rules.

(22) *Termination of the Post-IPO Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further Options will be offered but Options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Post-IPO Share Option Scheme.

(23) *Lapse of Option*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (12), (13) and (16);
- (iii) subject to paragraph (15), the date of the commencement of the winding-up of our Company;

- (iv) in the event that the Grantee is an employee of our Group when an Offer is made to him and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with our Group, the date of cessation of his employment with our Group;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the Grantee, or conviction of the Grantee of any criminal offence involving his integrity or honesty;
- (vi) the date on which the Board exercises our Company's right to cancel, revoke or terminate the Option on the ground that the Grantee commits a breach of paragraph (10) in respect of that or any other Option; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (16) becoming effective, the date on which such compromise or arrangement becomes effective.

(24) *Disclosure in annual and interim reports*

Our Company will disclose details of the Post-IPO Share Option Scheme in its annual and interim reports including the number of Options, date of grant, Subscription Price, Option Period, vesting periods and (if appropriate) a valuation of Options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(25) *Present status of the Post-IPO Share Option Scheme*

(i) Application to Listing Committee for the grant of Options

As at the date of this prospectus, no Option has been granted or agreed to be granted under the Post-IPO Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the Listing and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the Options which may be granted under the Post-IPO Share Option Scheme.

(ii) Value of Options

Our Directors consider it inappropriate to disclose the value of Options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no Options have been granted, certain variables are not available for calculating the value of Options. Our Directors believe that any calculation of the value of Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(26) *Others*

- (i) The provisions of the Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Post-IPO Share Option Scheme as to:
 - (a) the definitions of “Grantee”, “Option Period” and “Participant”;
 - (b) the provisions of the above paragraphs on any change to the authority of the Board and scheme administrators in relation to the terms of the Post-IPO Share Option Scheme; and
 - (c) all such other matters set out in Rule 17.03 of the Listing Rules,

shall not be altered to the advantage of the Participants except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares.

- (ii) Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.
- (iii) The amended terms of the Post-IPO Share Option Scheme or the Options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (iv) Any change to the authority of the Board or the scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme shall be approved by the Shareholders in general meeting.

F. OTHER INFORMATION**1. Estate duty and tax indemnity**

Mr. Zhang, Mr. Xu, Mr. Pang, Expert Depot, Bliss Success and Novel Heritage (the “**Indemnifiers**”) have, pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for itself and as trustee as its subsidiaries) in connection with, among others, any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”).

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where:

- (a) to the extent (if any) to which provision or allowance has been made for such taxation liabilities and claims in the audited consolidated accounts of the members of our Group for the Track Record Period (the “**Accounts**”);

- (b) to such taxation liabilities and claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after 31 May 2013 unless liability for such taxation liabilities and claims would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement or acquiescence of the Indemnifiers other than any such act, omission or transaction (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 May 2013 or (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 May 2013 or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent of any provision or reserve made for such taxation liabilities and claims in the Accounts which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability in respect of such taxation liabilities and claims shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such taxation liabilities and claims shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess reserve shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or
- (d) to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities and claims as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the Effective Date or to the extent that such taxation liabilities and claims arises and is increased by an increase in rates of such taxation liabilities and claims after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

2. **Litigation**

No member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options granted or to be granted under the Share Option Schemes).

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$4,400 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus :

Name	Qualifications
RaffAello Capital Limited	A licensed corporation under the SFO to carry out type 6 regulated activity (advising on corporate finance) under the SFO
First Shanghai Capital Limited	A licensed corporation under the SFO to carry out type 6 regulated activity (advising on corporate finance) under the SFO
KPMG	Certified public accountants
Commerce & Finance Law Offices	PRC lawyers
Appleby	Legal advisers as to Cayman Islands law

7. Consents of experts

Each of the Joint Sponsors, KPMG, Commerce & Finance Law Offices and Appleby has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission, and each of the Joint Sponsors will receive a documentation fee, as referred to under the section headed “Underwriting — Underwriting arrangements and expenses — Commission and expenses” in this prospectus.

10. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;
- (b) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
- (c) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (d) the persons whose names are listed in the section headed “Other information - Consents of experts” in this Appendix IV:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (f) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW** and **GREEN** Application Forms, the written consents referred to in the section headed “Other information — Consents of experts” in Appendix IV to this prospectus and copies of material contracts referred to in the section headed “Further information about our business — Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Pang & Co. at 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the audited statutory financial statements of the companies now comprising our Group for the three years ended 31 December 2012;
- (d) the report dated 31 October 2013 issued by KPMG relating to the unaudited proforma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice dated 31 October 2013 issued by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the material contracts referred to in the section headed “Further information about our business — Summary of material contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the section headed “Other information — Consents of experts” in Appendix IV to this prospectus;
- (i) the rules of the Pre-IPO Share Option Scheme;
- (j) the rules of the Post-IPO Share Option Scheme;
- (k) the service contracts referred to in the section headed “Further information about our Directors and substantial Shareholders — Directors — Particulars of service agreements” in Appendix IV to this prospectus; and
- (l) the legal opinions issued by Commerce & Finance Law Offices, legal advisers to our Company as to PRC law.



中國集成金融集團控股有限公司
China Success Finance Group Holdings Limited