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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all of the information which may be important to you.

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 providers 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 and the chairman and an executive Director of our Group, 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 RMB[1,079 million], RMB[1,501 million], RMB[1,407 million] and RMB[516] 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 document.

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 relationship 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 stipulates 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 bank. For each of the three years ended 31 December 2012 and the five months ended 31 May 2013,

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approximately RMB[34.3] million, RMB[38.6] million, RMB[35.8] million and RMB[13.6] 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 RMB[2.2] million, RMB[20.7] million, RMB[17.0] 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 RMB[1,539.1] 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.

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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 Secured by collaterals <i>(RMB million)</i>	Not secured by collaterals <i>(RMB million)</i>	Total <i>(RMB million)</i>	Aggregate outstanding guarantee amount Secured by collaterals <i>(RMB million)</i>	Not secured by collaterals <i>(RMB million)</i>	Total <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	[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 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 <i>(RMB million)</i>	Not registered exclusively to our Group <i>(RMB million)</i>	Registered exclusively in favour of third parties <i>(RMB million)</i>	Unregistered collaterals and customers’ pledged deposits <i>(RMB million)</i>	Total <i>(RMB million)</i>
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 <i>(RMB million)</i>	Not registered exclusively to our Group <i>(RMB million)</i>	Registered exclusively in favour of third parties <i>(RMB million)</i>	Unregistered collaterals and customers’ pledged deposits <i>(RMB million)</i>	Total <i>(RMB million)</i>
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>

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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 cash deposits, amounted to approximately RMB[4,005.2] million and RMB[3,956.2] 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 document.

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) have 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.

OUR COMEPTITIVE 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.

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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 document.

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 tax	35,273	46,433	61,717	22,266	13,099
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>

	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	<u>234,699</u>	<u>319,204</u>	<u>405,608</u>	<u>420,311</u>

	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	<u>461</u>	<u>1.3</u>	<u>378</u>	<u>0.7</u>	<u>602</u>	<u>1.1</u>	<u>228</u>	<u>1.0</u>	<u>267</u>	<u>1.2</u>
Income from financial consultancy services	35,111	100.0	42,522	79.4	46,144	80.8	19,522	88.4	19,240	87.2
	<u>—</u>	<u>—</u>	<u>11,006</u>	<u>20.6</u>	<u>10,994</u>	<u>19.2</u>	<u>2,548</u>	<u>11.6</u>	<u>2,831</u>	<u>12.8</u>
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>

Details of the reasons for the fluctuation of the financial results are set out in the section headed “Financial information” in this document.

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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 of approximately RMB6.4 million 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.

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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 RMB[4.1] million, RMB [8.2] million, RMB[10.6] 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.]

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

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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 document.

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 document.]

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 RMB[262.0] million and RMB[158.6] 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].

RISK FACTORS

Our Directors consider that there are risks and uncertainties relating to our business and our industry. Our business is dependent upon 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 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 document.

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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 is set out in the paragraph headed “Non-compliance” in the section headed “Business” in this document.