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Oi Wah Pawnshop Credit Holdings Limited
靄華押業信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1319)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2013

FINANCIAL HIGHLIGHTS

		2013	2012	Change
Revenue		**71,739,895**	66,360,621	8.1%
Profit before taxation excluding listing expenses		**41,466,412**	39,978,611	3.7%
Profit before taxation		**30,304,944**	39,978,611	–24.2%
Profit for the year attributable to shareholders		**22,705,941**	33,376,055	–32.0%
Net profit margin		**31.7%**	50.3%	
Basic earnings per share *(in HK cents)*		**7.6**	11.1	
		As at 28 February 2013	As at 29 February 2012	
Gross loan receivables		**230,796,415**	151,147,593	52.7%
Total assets		**274,112,733**	186,401,392	47.1%
Total equity		**193,823,659**	134,944,212	43.6%
Net interest margin	*Note*	**34.0%**	37.2%	
For pawn loan services		**43.5%**	42.1%	
For mortgage loan services		**12.5%**	12.7%	

Note: Net interest margin during the year refers to our interest income in respect of our pawn loans and mortgage loans less our finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the year.

The board of directors (the "**Board**") of Oi Wah Pawnshop Credit Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 28 February 2013, together with the comparative figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2013
(Expressed in Hong Kong dollars)

	Note	**28 February 2013** **$**	29 February 2012 $
Turnover	3	**71,739,895**	66,360,621
Other revenue	5	**1,610,203**	840,316
Other net income	5	**234**	123,012
Operating income		**73,350,332**	67,323,949
Operating expenses	6	**(42,173,951)**	(27,127,035)
Charge for impairment losses on loan receivables	7	**(49,778)**	(76,429)
Profit from operations		**31,126,603**	40,120,485
Finance costs	6(a)	**(821,659)**	(141,874)
Profit before taxation	6	**30,304,944**	39,978,611
Income tax	8	**(7,599,003)**	(6,602,556)
Profit and total comprehensive income for the year		**22,705,941**	33,376,055
Profit and total comprehensive income for the year attributable to shareholders		**22,705,941**	33,376,055
Earnings per share *(in HK cents)*	9	**7.6**	11.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2013

(Expressed in Hong Kong dollars)

	Note	**28 February 2013** **$**	29 February 2012 $
Non-current assets			
Fixed assets		**1,657,829**	1,395,973
Loan receivables	10	**29,799,413**	6,602,930
Deferred tax assets		**196,183**	222,612
		31,653,425	8,221,515
Current assets			
Repossessed assets		**5,215,024**	6,869,020
Loan receivables	10	**200,752,663**	144,350,102
Trade and other receivables	11	**16,713,242**	16,533,870
Trading securities		**—**	3,789
Cash and cash equivalents		**19,778,379**	10,423,096
		242,459,308	178,179,877
Current liabilities			
Accruals and other payables	12	**5,559,385**	2,427,606
Bank loans and overdrafts		**68,513,447**	3,351,737
Obligations under finance leases		**165,511**	157,845
Current taxation		**5,862,347**	3,208,033
		80,100,690	9,145,221
Net current assets		**162,358,618**	169,034,656
Total assets less current liabilities		**194,012,043**	177,256,171
Non-current liabilities			
Obligations under finance leases		**188,384**	353,895
Amounts due to shareholders		**—**	41,958,064
		188,384	42,311,959
NET ASSETS		**193,823,659**	134,944,212
CAPITAL AND RESERVES			
Capital		**100,000**	12,100,000
Reserves		**56,963,506**	—
Retained profits		**136,760,153**	122,844,212
TOTAL EQUITY		**193,823,659**	134,944,212

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 February 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

Oi Wah Pawnshop Credit Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 5 June 2012. The Company and its subsidiaries (together referred to as "the Group") are principally engaged in short-term secured financing business in Hong Kong, including pawn loans and mortgage loans. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 March 2013 (the "**Listing Date**").

Pursuant to the reorganisation of the Group (the **"Reorganisation**"), the Company became the holding company of the Group on 18 February 2013. Details of the Reorganisation are set out in the prospectus of the Company dated 27 February 2013.

The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

2 SIGNIFICANT ACCOUNTING POLICIES

The followings are the major accounting policies used by our Group.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Company Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the **"Listing Rules**").

(b) 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) Interest income

Interest income for all interest-bearing financial instruments is recognised in profit or loss on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For impaired financial assets, the accrual of interest income based on the original terms of the financial assets is discontinued.

(ii) Fee income

Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk are incurred or is accounted for as interest income.

(iii) Gain on disposal of repossessed assets

Disposal gain is recognised when the buyer of the repossessed assets has accepted the goods and the related risks and rewards of ownership.

(iv) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(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 payment receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(c) Financial instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and financial liabilities at fair value through profit or loss is recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting. From these dates, any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

(ii) Classification

Fair value through profit or loss

This category comprises financial assets held for trading which are financial assets acquired or incurred principally for the purpose of trading.

Financial assets under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal the difference between the net sale proceeds and the carrying value is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (1) those that the Group intends to sell immediately or in the near term, which are classified as held for trading; (2) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (3) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise pawn loans, mortgages and unsecured loans. Pawn loans are loans provided whereby personal property such as gold, jewellery and diamonds, watches and consumer electronic products are used as collateral for the security of the loans. Mortgages are loans secured by real estates and unsecured loans are loans without collateral.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

Other financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The Group uses the weighted average method to determine realised gains or losses to be recognised in profit or loss on derecognition.

(d) Impairment of assets

(i) Financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account relating to that borrower 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.

Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for impairment losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

The individual impairment allowance is based upon management's best estimate of the present value of cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management make judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits.

In assessing the need for collective impairment allowances, management uses statistical modelling and considers historical trends of factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

Where there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

(ii) Other assets

Internal and external sources of information are reviewed at each reporting date to identify indications that other assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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 whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

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 impairment losses 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 the statement of comprehensive income in the year in which the reversals are recognised.

(e) Repossessed assets

In the recovery of impaired loan receivables granted under the Pawnbrokers Ordinance (Chapter 166 of the laws of Hong Kong), the Group takes possession of the collateral assets from the customers. This possession takes place once a loan becomes overdue, subject to a grace period granted at the discretion of the Group in certain cases.

Repossessed assets are initially recognised at the amortised cost of the related outstanding loans on the date of repossession, which is generally below the net realisable value of the repossessed assets. Upon repossession of the assets, the related loans and advances together with the related impairment allowances, if any, are derecognised from the statement of financial position. Subsequently, repossessed assets are carried at the lower of the amount initially recognised or net realisable value and are therefore written down if and when the net realisable value falls to below the carrying amount of the asset. The excess of the net proceeds over the carrying amount of the repossessed assets is recognised as a gain upon the disposal of the assets.

(f) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements 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 businesses 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 of 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.

3 TURNOVER

The principal activities of the Group are the granting of pawn loans and mortgage loans in Hong Kong.

Turnover represents interest income earned on pawn loans and mortgages and gain on disposal of repossessed assets. The amount of each significant category of revenue recognised in turnover during the year are as follows:

	28 February 2013	29 February 2012
	$	*$*
Interest earned on loan receivables		
— Pawn loans	**56,722,057**	52,350,742
— Mortgages	**7,955,494**	3,192,311
	64,677,551	55,543,053
Gain on disposal of repossessed assets	**7,062,344**	10,817,568
	71,739,895	66,360,621

Cost of repossessed assets disposed for the year ended 28 February 2013 amounted to $61 million (2012: $56 million).

The Group's customer base is diversified and does not have customer with whom transactions have exceeded 10% of the Group's revenue during the year (2012: Nil).

4 SEGMENT REPORTING

The Group has one reportable segment, which is the provision of short-term secured financing services in Hong Kong, including pawn loans and mortgage loans. Therefore, no additional reportable segment and geographical information have been presented.

5 OTHER REVENUE AND NET INCOME

	28 February 2013	29 February 2012
	$	*$*
Other revenue		
Rental income	**737,494**	675,511
Dividend income from trading securities	**133**	160
Interest earned on unsecured loans	**25,304**	84,222
Credit related fee income	**193,000**	67,542
Bank interest income	**403**	380
Others	**653,869**	12,501
	1,610,203	840,316
Other net income		
Net realised and unrealised gain/(loss) on trading securities	**234**	(898)
Net gain on disposal of fixed assets	**—**	123,910
	234	123,012

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		28 February 2013	29 February 2012
		$	*$*
(a)	**Finance costs**		
	Finance charges on obligations under finance leases	**20,907**	31,379
	Interest on bank loans and overdrafts wholly repayable within five years	**800,752**	110,495
		821,659	141,874
(b)	**Staff costs**		
	Salaries and other benefits	**13,515,693**	12,536,561
	Directors' remuneration	**1,120,378**	545,278
	Contributions to defined contribution scheme	**403,487**	400,076
	Provision for long service payment	**236,350**	52,278
		15,275,908	13,534,193
(c)	**Other operating expenses**		
	Premises and equipment expenses excluding depreciation:		
	— rental of premises	**7,443,151**	7,232,735
	— maintenance, repairs and others	**697,202**	641,859
		8,140,353	7,874,594
	Listing expenses	**11,161,468**	—
	Auditors' remuneration	**300,000**	110,000
	Depreciation	**426,764**	324,723
	Advertising expenses	**2,841,006**	2,102,228
	Others	**4,028,452**	3,181,297
		18,757,690	5,718,248
		42,173,951	27,127,035

7 IMPAIRMENT LOSSES ON LOAN RECEIVABLES

	28 February 2013 $	29 February 2012 $
Impairment losses on loan receivables		
— Individual impairment losses (credited)/charged to profit or loss	**(79,312)**	139,170
— Collective impairment losses charged/(credited) to profit or loss	**129,090**	(62,741)
	49,778	76,429

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Taxation in the consolidated statements of comprehensive income represents:

	28 February 2013 $	29 February 2012 $
Current tax — Hong Kong Profits Tax		
Provision for the year	**7,033,162**	6,542,234
Under-provision in respect of prior years	**539,412**	—
	7,572,574	6,542,234
Deferred tax		
Origination and reversal of temporary differences	**26,429**	60,322
Tax expense	**7,599,003**	6,602,556

The provision for Hong Kong Profits Tax is calculated at 16.5% to the estimated assessable profits for the year, except for that of the Sole Proprietorship Businesses which is calculated at 15% of the estimated assessable profits.

9 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company for the year ended 28 February 2013 of $22,705,941 (2012: $33,376,055) and the weighted average number of ordinary shares of the Company in issue during the year calculated as follows:

Weighted average number of ordinary shares

	28 February 2013 *Number of shares*	29 February 2012 *Number of shares*
Effect of issue at date of incorporation	**1**	1
Effect of shares issued under the Reorganisation	**9,999,999**	9,999,999
Effect of capitalisation issue	**290,000,000**	290,000,000
Weighted average number of ordinary shares	**300,000,000**	300,000,000

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year ended 29 February 2012 has been adjusted for the 1 share, 9,999,999 shares and 290,000,000 shares issued at the date of incorporation, pursuant to the Reorganisation and the capitalisation issue which took place upon the completion of the public offering and placing of the Company's shares, respectively, which were assumed to occur at 1 March 2011.

No dilutive earnings per share is presented as there was no potential dilutive ordinary shares in issue during both years.

10 LOAN RECEIVABLES

	28 February 2013	29 February 2012
	$	$
Pawn loans	**117,321,040**	118,017,870
Mortgages	**113,475,375**	32,644,515
Unsecured loans	**—**	485,208
Gross loan receivables *(note 10(a))*	**230,796,415**	151,147,593
Less: Impairment allowance		
— Individually assessed	**(59,858)**	(139,170)
— Collectively assessed	**(184,481)**	(55,391)
	(244,339)	(194,561)
	230,552,076	150,953,032
Current portion included under current assets	**(200,752,663)**	(144,350,102)
Amounts due after one year included under non-current assets	**29,799,413**	6,602,930

(a) Movement in impairment losses

	28 February 2013			29 February 2012		
	Individual	**Collective**	**Total**	Individual	Collective	Total
	$	**$**	**$**	$	$	$
At 1 March	**139,170**	**55,391**	**194,561**	—	118,132	118,132
Impairment losses charged/ (credited) to profit or loss *(note 7)*	**(79,312)**	**129,090**	**49,778**	139,170	(62,741)	76,429
At 28/29 February	**59,858**	**184,481**	**244,339**	139,170	55,391	194,561

(b) Ageing analysis

Ageing analysis is prepared based on contractual due date.

	Pawn loans	Mortgages	Unsecured loans	Total
	$	$	$	$
28 February 2013				
Neither past due nor impaired	**114,123,740**	**113,475,375**	**—**	**227,599,115**
Less than 1 month past due	**2,566,000**	**—**	**—**	**2,566,000**
1 to 3 months past due	**631,300**	**—**	**—**	**631,300**
	117,321,040	**113,475,375**	**—**	**230,796,415**
29 February 2012				
Neither past due nor impaired	114,782,170	32,644,515	485,208	147,911,893
Less than 1 month past due	2,632,000	—	—	2,632,000
1 to 3 months past due	603,700	—	—	603,700
	118,017,870	32,644,515	485,208	151,147,593

11 TRADE AND OTHER RECEIVABLES

	28 February 2013	29 February 2012
	$	$
Trade receivables	**421,400**	2,243,050
Interest receivables	**10,311,661**	9,589,986
Deposits and payments in advance	**2,308,191**	1,709,334
Amount due from a related company	**—**	2,890,000
Prepaid listing expenses	**3,570,490**	—
Other assets	**101,500**	101,500
	16,713,242	16,533,870

Trade receivables are due within 60 days from the date of billing. All of the trade and other receivables are not impaired and expected to be recovered within one year. The amount due from a related company was unsecured, interest free and repayable on demand.

Ageing analysis of trade receivables

The ageing analysis of trade receivables that is neither individually nor collectively considered to be impaired is as follows:

	28 February 2013 $	29 February 2012 $
Neither past due nor impaired	**301,400**	2,243,050
Less than 1 month past due	**120,000**	—
	421,400	2,243,050

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 an independent customer that has 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.

12 ACCRUALS AND OTHER PAYABLES

	28 February 2013 $	29 February 2012 $
Accrued expenses	**3,666,075**	576,212
Provision for long services payment	**529,574**	306,382
Other payable and deposit received	**1,363,736**	1,545,012
	5,559,385	2,427,606

All of the accruals and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a financing service provider in Hong Kong operating under the brand name of "Oi Wah", principally engaged in providing short-term secured financing, including pawn loans and mortgage loans. The Group is the largest pawn loan service provider in Hong Kong in 2011 in terms of loan amount granted and number of pawnshops.

During the year ended 28 February 2013, the Group continued to ride on its foundation in the pawn loan business and further develop its mortgage loan business.

The pawn loan business maintained a steady growth with average loan amount of transaction increased to HK$3,900 from HK$3,500 in the year ended 29 February 2012, and the total loan amount granted increased to approximately HK$541.6 million from approximately HK$513.1 million in the year ended 29 February 2012. The pawn loan business is expected to remain the Group's solid foundation.

The mortgage loan business realised a high speed growth with total loan amount granted surged 211.0% to HK$119.1 million from HK$38.3 million in the year ended 29 February 2012.

The Group's gain on disposal under the reporting period declined from HK$10.8 million for the year ended 29 February 2012 to HK$7.0 million, mainly attributable to the leveled international gold price. During the previous financial year (March 2011–February 2012), the international gold price picked up a steady upward trend. The Group thus benefited from the gold appreciation while selling the repossessed collaterals after the pawn loan term of four lunar months. However, the gold price remained stable during the year under review and the Group did not gain on gold appreciation as it did in the previous year.

INDUSTRY OVERVIEW

The Board maintained the view that the pawn loan industry sustained a steady growth. There is no significant change in the number of pawnshops and the loan amount remains a healthy organic growth.

The Directors remain optimistic about the mortgage loan market. As more stringent policies are imposed on the authorised institutions by the government, Oi Wah, as a money lender, can provide more flexibility in granting loans, and thus is strongly preferred by small-and-medium enterprises and individuals who have short-term financial needs. Instead of the mass market, the Group sets sight on high net worth clients who cannot obtain loans from authorised institutions, which creates business opportunities for the Group under the credit tightening environment.

FINANCIAL REVIEW

Turnover

Our Group's turnover increased from approximately HK$66.4 million for the year ended 29 February 2012 ("**FY 2012**") to approximately HK$71.7 million for the year ended 28 February 2013 ("**FY 2013**"), representing an increase of approximately HK$5.3 million or 8.0%. The increase was attributable to the increase in our interest income earned on our loan receivables by approximately HK$9.2 million or 16.6% from approximately HK$55.5 million in FY2012 to approximately HK$64.7 million in FY2013, offset by a decrease in gain on disposal of repossessed assets by approximately HK$3.8 million or 35.2% from approximately HK$10.8 million in FY2012 to approximately HK$7.0 million in FY2013.

The increase in our interest income earned on our loan receivables in FY2013 was attributable to the increase in our interest income earned in both of our pawn loan and mortgage loan business. Interest income earned on our pawn loan services increased from approximately HK$52.4 million in FY2012 to HK$56.7 million in FY2013, representing an increase of approximately HK$4.3 million or 8.2%. The increase was primarily attributable to our increase in the (i) aggregated amount of pawn loans granted increased from approximately HK$513.1 million in FY2012 to approximately HK$541.6 million in FY2013; and (ii) average amount of pawn loans granted increased from approximately HK$3,500 per transaction in FY2012 to approximately HK$3,900 per transaction in FY2013.

Interest income earned on our mortgage loan services increased significantly from approximately HK$3.2 million in FY2012 to HK$8.0 million in FY2013, representing an increase of approximately HK$4.8 million or 150.0%. The increase was mainly due to the continuous expansion of our mortgage loan portfolio in FY2013. The number of new mortgage loans granted increased from 31 cases in FY2012 to 84 cases in FY2013 and the total amount of new mortgage loans granted increased significantly from approximately HK$38.3 million in FY2012 to approximately HK$119.1 million in FY2013.

Gain on disposal of repossessed assets represents the gain we received as we sold the repossessed assets in the event of default in repayment of our pawn loans. The decrease in our gain on disposal of repossessed assets in FY2013 was mainly due to the fact that the gold price remained stable at approximately US$1,600 per ounce in FY2013 while the gold price per ounce increased from approximately US$1,400 in March 2011 to US$1,750 in February 2012. Since every pawn loan has a loan term of four lunar months, the Group gained on the gold appreciation in FY2012 and thus obtained a better result on gain on disposal of repossessed assets in FY2012. Since there was no material appreciation in gold price in FY2013, the Group could not enjoy the benefit of the appreciation effect as in FY2012 and thus the drop in gain was noted.

Other revenue and other net income

Other revenue increased from approximately HK$0.8 million in FY2012 to HK$1.6 million in FY2013 representing an increase of approximately HK$0.8 million or 100.0%, which was mainly due to (i) the increase in other income generated from the trading of luxury goods of approximately HK$0.5 million during FY2013; and (ii) the increase in our credit-related fee income by approximately HK$0.1 million representing early repayment fees and administrative fee for loan not drawn within 45 days from our mortgage loan customers.

Other net income in FY2012 amounted to approximately HK$0.1 million as we recorded approximately HK$0.1 million in our net gain on disposal of a fixed assets, our motor vehicle, in FY2012 which was one-off in nature. Other net income in FY2013 amounted to approximately HK$200 resulted from the net realised gain on disposal of trading securities.

Operating expenses

Operating expenses increased by approximately HK15.1 million or 55.7% from approximately HK$27.1 million in FY2012 to approximately HK$42.2 million in FY2013.

Staff costs increased by approximately HK$1.8 million or 13.3% from approximately HK$13.5 million in FY2012 to approximately HK$15.3 million in FY2013. The increase was mainly attributable to (i) the increase in salaries and other benefits of approximately HK$1.0 million mainly due to the increase in staff performance bonus; (ii) the increase in directors' remuneration of approximately HK$0.6 million; and (iii) the increase in our provision for long service payment of approximately HK$0.2 million in FY2013.

In FY2013, the Group incurred non-recurring listing expenses of approximately HK$11.2 million, which is related to the initial public offering (the "**IPO**") of the Company's shares, as recognised in the Group's consolidated statement of comprehensive income. Since the Company's successful listing on the Main Board of the Stock Exchange on 12 March 2013, part of these one-off expenses will be recognised in the next financial year and we expect the amount will be approximately HK$4.7 million.

Excluding the listing expenses of approximately HK$11.2 million as mentioned above, other operating expenses increased by approximately HK$2.1 million or 15.4% from approximately HK$13.6 million in FY2012 to approximately HK$15.7 million in FY2013, which was mainly due to the increase in advertising expenses, rental expenses and depreciation by approximately HK$0.7 million, HK$0.2 million and HK$0.1 million respectively.

Finance costs

The finance costs increased significantly by approximately HK$0.7 million or 700.0% from approximately HK$0.1 million in FY2012 to approximately HK$0.8 million in FY2013. The increase was mostly due to an increase in the amount of bank loans and overdrafts in FY2013 as we obtained and utilised more bank loans and overdrafts facilities for funding our expansion of pawn loan and mortgage loan portfolios.

Charge for impairment losses on loan receivables

The impairment losses on loan receivables charged to profit or loss decreased by approximately HK$26,000 or 34.2% from approximately HK$76,000 in FY2012 to approximately HK$50,000 in FY2013. The impairment losses on loan receivables charged to profit or loss in FY2013 of approximately HK$50,000 was attributable to the net effect of (i) the subsequent reassessment on the recoverability of previously impaired loan receivables that were individually assessed being credited to profit or loss of approximately HK$79,000; and (ii) the impairment losses on loan receivables that were collectively assessed being charged to profit or loss of approximately HK$129,000. In FY2012, the impairment losses on loan receivables charged to profit or loss of approximately HK$76,000 was attributable to the net effect of (i) the impairment losses for several loan receivables balances that were individually assessed which amounted to approximately HK$139,000 charged to profit or loss; and (ii) the subsequent reassessment on the recoverability of previously impaired loan receivables that were collectively assessed being credited to profit or loss of approximately HK$63,000.

Profit before taxation excluding listing expenses

As a result of the foregoings, our profit before taxation excluding listing expenses increased by approximately HK$1.5 million or 3.7% from approximately HK$40.0 million in FY2012 to approximately HK$41.5 million in FY2013.

Income tax expenses

The Group's effective tax rate for FY2013 was 25.1% as compared to 16.5% for FY2012. The increase in effective tax rate for FY2013 was mainly due to the listing expenses in relation to the IPO which were non-deductible for tax purposes. If excluding the non-recurring listing expenses of approximately HK$11.2 million, the effective tax rate for FY2013 would have been 18.3%.

The increase in effective tax rate for FY2013 after excluding the non-recurring listing expenses was mainly attributable to an under provision of profit tax in respect of prior years amounted to approximately HK$0.5 million. The amount contributed 1.3% increase to the effective tax rate for FY2013.

Profit and total comprehensive income for the year

The Group's profit for FY2013 decreased to approximately HK$22.7 million from approximately HK$33.4 million in FY2012, representing a decrease of approximately HK$10.7 million or 32.0%. This was mainly attributable to the inclusion of non-recurring listing expenses of approximately HK$11.2 million as recognised in the Group's consolidated statement of comprehensive income for FY2013.

If excluding the non-recurring listing expenses of approximately HK$11.2 million, the profit for FY2013 would have increased by approximately HK$0.5 million or 1.5% as compared to that in FY2012.

LIQUIDITY AND FINANCIAL RESOURCES

As at 28 February 2013, cash and cash equivalent, after netting off with the bank overdraft, amounted to approximately HK$14.0 million, representing a net increase of approximately HK$4.4 million as compared to the position as at 29 February 2012. The increase was attributed to the following items:

	For the year ended 28 February 2013 *HK$*	For the year ended 29 February 2012 *HK$*
Net cash (used in)/generated from operating activities	**(51,251,819)**	7,969,869
Payment for the purchase of fixed assets	**(685,105)**	(434,461)
Changes in amounts due to shareholders	**3,005,342**	(1,742,833)
Proceed from bank loans	**60,260,000**	2,500,000
Dividend paid	**(5,900,000)**	(1,000,000)
Other net outflow	**(974,845)**	(86,744)
Net increase in cash and cash equivalents	**4,453,573**	7,205,831

During the year ended 28 February 2013, net cash outflow from operating activities of the Group amounted to approximately HK$51.3 million. It was mainly due to the increase in loan receivables amounted to approximately HK$79.6 million during the year.

KEY FINANCIAL RATIO

	As at 28 February 2013	As at 29 February 2012
Current ratio(1)	**3x**	19x
Gearing ratio(2)	**35.5%**	34.0%

	For the year ended 28 February 2013	For the year ended 29 February 2012
Return on total assets(3)	**8.28%**	17.9%
Return on equity(4)	**11.7%**	24.7%
Net interest margin(5)	**34.0%**	37.2%
— pawn loan services	**43.5%**	42.1%
— mortgage loan services	**12.5%**	12.7%

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year end.

(2) Gearing ratio is calculated by dividing total borrowings (summation of bank loans, overdrafts, obligations under finance leases and amounts due to shareholders) by total equity as at the respective year end.

(3) Return on total assets is calculated by dividing profit for the year by the total assets as at the respective year.

(4) Return on equity is calculated by dividing profit for the year by the total equity as at the respective year.

(5) Net interest margin during the year refers to our interest income in respect of our pawn loans and mortgage loans less our finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the year.

Current ratio

Our Group's current ratio decreased from approximately 19 times as at 29 February 2012 to approximately 3 times as at 28 February 2013, which was mainly due to the increase in bank loans and overdrafts from approximately HK$3.4 million as at 29 February 2012 to approximately HK$68.5 million as at 28 February 2013 or approximately 1,914.7%, netting-off the effect of increase in current loan receivables from approximately HK$144.4 million as at 29 February 2012 to approximately HK$200.8 million as at 28 February 2013 or 39.1%.

Gearing ratio

Our Group's gearing ratio slightly increased from approximately 34.0% as at 29 February 2012 to approximately 35.5% as at 28 February 2013, which was mainly due to the increase in bank loans and overdrafts from approximately HK$3.4 million as at 29 February 2012 to approximately HK$68.5 million as at 28 February 2013, netting off with the increase in equity by capitalising the shareholders loan of approximately HK$45.0 million for the year ended 28 February 2013.

Return on total assets and return on equity

Our return on total assets and return on equity decreased from approximately 17.9% and 24.7% in FY2012 to approximately 8.3% and 11.7% in FY2013 respectively. The reason for the decrease in return on total assets and return on equity was mainly due to the one-off listing expenses of approximately HK$11.2 million incurred during the year ended 28 February 2013 which decreased our net profit recorded in the year.

Net interest margin

The net interest margin decreased from approximately 37.2% in FY2012 to approximately 34.0% in FY2013 since higher proportion of our interest income was earned from mortgage loans in FY2013, from which we generally charged comparatively lower interest rate than that charged on our pawn loans. For FY2012 and FY2013, interest earned on mortgage loans contributed approximately 5.8% and 12.3% to our total interest income, respectively, resulted from the expansion of our mortgage loan business during the year.

PROSPECTS

Looking forward, the Group will channel its resources and effort to business development and risk control. In terms of business development, the Group will invest capital in promoting the Oi Wah's brand through various advertising channels, as well as employing more experienced personnel to further expand the mortgage loan business.

In terms of risk control, in view of the falling gold price, the Group will pose a more stringent control when granting loans. A more careful and conservative loan to value ratio will be applied. Moreover, the Group will consider cooperating with other financing service providers to jointly grant loans of large amount.

LISTING OF THE SHARES

The shares of the Company have been listed on the Stock Exchange with effect from 12 March 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 28 February 2013.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**Code Provisions**") and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

From the Listing Date and up to the date of this announcement, the Company has complied with the Code Provisions, except Code Provision A.2.1 which requires that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Chan Kai Ho Edward ("**Mr. Chan**"), an executive Director, currently holds both positions. Mr. Chan has been the key leadership figure of the Group and has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises other executive Directors and senior management of the Group. Taking into account the continuation of the implementation of the Group's business plans, the Directors (including the independent non-executive Directors) consider that Mr. Chan is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and its shareholders as a whole.

The Directors will review the Company's corporate governance policies and compliance with the Code Provisions from time to time.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. As the Company was not listed on the Stock Exchange as at 28 February 2013, the provisions under the Listing Rules in relation to the compliance of the Model Code by the Directors were not applicable to the Company for the year ended 28 February 2013.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 28 February 2013.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 28 February 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 28 February 2013 is scheduled to be held on 12 July 2013 (the "**AGM**"). A notice convening the AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 11 July 2013 to 12 July 2013 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 10 July 2013.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is also published on the Company's website (www.pawnshop.com.hk) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 28 February 2013 containing all relevant information required by Appendix 16 to the Listing Rules will be disseminated to the shareholders of the Company and available on the above websites in due course.

By Order of the Board of
Oi Wah Pawnshop Credit Holdings Limited
Chan Kai Ho Edward
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 16 May 2013

As at the date of this announcement, the Board comprises Mr. Chan Kai Ho Edward, Mr. Chan Chart Man, Ms. Chan Ying Yu and Ms. Chan Mei Fong as executive Directors; Chan Kai Kow Macksion as non-executive Director; and Mr. Chan Wing Lee, Dr. Leung Shiu Ki Albert and Dr. Yip Ngai as independent non-executive Directors.