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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2013

FINANCIAL HIGHLIGHTS

		Six months ended 31 August		
		2013	2012	Change
		HK$	*HK$*	
Revenue		**42,010,267**	35,211,844	19.3%
Profit before taxation excluding listing expenses		**23,651,478**	20,858,913	13.4%
Profit before taxation		**18,797,281**	15,199,665	23.7%
Profit for the period attributable to shareholders		**15,101,785**	11,737,133	28.7%
Profit for the period attributable to shareholders excluding listing expenses		**19,955,982**	17,396,381	14.7%
Net profit margin		**35.9%**	33.3%	
Basic earnings per shares *(HK cents)*		**3.8**	3.9	
Net interest margin	*Note*	**26.3%**	37.5%	
For pawn loan services		**43.5%**	44.6%	
For mortgage loan services		**13.5%**	14.4%	
Aggregated new loans granted				
For pawn loan services *(HK million)*		**254.1**	281.1	–9.6%
For mortgage loan services *(HK million)*		**196.2**	41.2	376.2%

	As at 31 August 2013	As at 28 February 2013	
	HK$	*HK$*	
Gross loan receivables	**340,185,877**	230,796,415	47.4%
Total assets	**379,967,974**	274,112,733	38.6%
Total equity	**298,450,448**	193,823,659	54.0%

Note: Net interest margin during the period 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 period.

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2013

The board (the "**Board**") of directors (the "**Directors**") of Oi Wah Pawnshop Credit Holdings Limited (the "**Company**" or "**our Company**") is pleased to announce the unaudited interim results of our Company and its subsidiaries (collectively referred to as the "**Group**" or "**our Group**") for the six months ended 31 August 2013, with the comparative figures for the corresponding period in 2012, as follows:

Consolidated statement of comprehensive income
for the six months ended 31 August 2013 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 August	
		2013	2012
	Note	***$***	*$*
Turnover	4	**42,010,267**	35,211,844
Other revenue	6	**2,204,745**	1,108,618
Operating income		**44,215,012**	36,320,462
Operating expenses	7	**(24,095,130)**	(20,962,276)
Credit to/(charge for) impairment losses on loan receivables	7	**4,385**	(19,088)
Profit from operations		**20,124,267**	15,339,098
Finance costs	7(a)	**(1,326,986)**	(139,433)
Profit before taxation	7	**18,797,281**	15,199,665
Income tax	8	**(3,695,496)**	(3,462,532)
Profit and total comprehensive income for the period		**15,101,785**	11,737,133
Profit and total comprehensive income for the period attributable to shareholders		**15,101,785**	11,737,133
Earnings per share *(in HK cents)*	9	**3.8**	3.9

Consolidated statement of financial position
as at 31 August 2013 — unaudited
(Expressed in Hong Kong dollars)

	Note	**31 August 2013** **$**	28 February 2013 $
Non-current assets			
Fixed assets		**1,482,633**	1,657,829
Loan receivables	10	**59,206,650**	29,799,413
Deferred tax assets		**239,556**	196,183
		60,928,839	31,653,425
Current assets			
Repossessed assets		**6,444,147**	5,215,024
Loan receivables	10	**280,739,273**	200,752,663
Trade and other receivables	11	**14,719,787**	16,713,242
Cash and cash equivalents	12	**17,135,928**	19,778,379
		319,039,135	242,459,308
Current liabilities			
Accruals and other payables	14	**4,471,340**	5,559,385
Bank loans and overdrafts	13	**72,888,079**	68,513,447
Obligations under finance leases		**169,482**	165,511
Current taxation		**3,885,987**	5,862,347
		81,414,888	80,100,690
Net current assets		**237,624,247**	162,358,618
Total assets less current liabilities		**298,553,086**	194,012,043
Non-current liability			
Obligations under finance leases		**102,638**	188,384
NET ASSETS		**298,450,448**	193,823,659
CAPITAL AND RESERVES	15		
Capital		**4,000,000**	100,000
Reserves		**294,450,448**	193,723,659
TOTAL EQUITY		**298,450,448**	193,823,659

Consolidated statement of changes in equity

for the six months ended 31 August 2013 — unaudited
(Expressed in Hong Kong dollars)

	Note	Paid-in capital/ share capital $	Share premium $	Capital reserve $	Other reserve $	Retained profits $	Total $
At 1 March 2012		12,100,000	—	—	—	122,844,212	134,944,212
Change in equity for the six months ended 31 August 2012							
Profit and total comprehensive income		—	—	—	—	11,737,133	11,737,133
Profit distribution prior to the listing		—	—	—	—	(5,790,000)	(5,790,000)
At 31 August 2012		12,100,000	—	—	—	128,791,345	140,891,345
At 1 September 2012		12,100,000	—	—	—	128,791,345	140,891,345
Change in equity for the six months ended 28 February 2013							
Profit and total comprehensive income		—	—	—	—	10,968,808	10,968,808
Profit distribution prior to the listing		—	—	—	—	(3,000,000)	(3,000,000)
Capital injection of a subsidiary		100	—	—	—	—	100
Capital injection of the Company		—	—	—	—	—	—
Acquisition of shareholders loan by a subsidiary		1,000	—	44,962,406	—	—	44,963,406
Capitalisation arising on the Reorganisation		(12,001,100)	—	—	12,001,100	—	—
At 28 February 2013		100,000	—	44,962,406	12,001,100	136,760,153	193,823,659
At 1 March 2013		**100,000**	**—**	**44,962,406**	**12,001,100**	**136,760,153**	**193,823,659**
Change in equity for the six months ended 31 August 2013							
Profit and total comprehensive income		**—**	**—**	**—**	**—**	**15,101,785**	**15,101,785**
Capitalisation issue	15(c)	**2,900,000**	**(2,900,000)**	**—**	**—**	**—**	**—**
Share issue under placing and public offering, net of issuing expenses	15(d)	**1,000,000**	**88,525,004**	**—**	**—**	**—**	**89,525,004**
At 31 August 2013		**4,000,000**	**85,625,004**	**44,962,406**	**12,001,100**	**151,861,938**	**298,450,448**

Condensed consolidated cash flow statement
for the six months ended 31 August 2013 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 August 2013 $	2012 $
Cash used in operations		**(89,826,571)**	(4,652,170)
Hong Kong Profits Tax paid		**(5,715,228)**	(1,095,689)
Net cash used in operating activities		**(95,541,799)**	(5,747,859)
Net cash generated from/(used in) investing activities		**408,473**	(150,558)
Net cash generated from financing activities		**95,778,243**	6,448,022
Net increase in cash and cash equivalents		**644,917**	549,605
Cash and cash equivalents at the beginning of period		**14,024,932**	9,571,359
Cash and cash equivalents at the end of period	12	**14,669,849**	10,120,964

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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 Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 12 March 2013.

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 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised to be issued on 21 October 2013.

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG 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 financial information relating to the financial year ended 28 February 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 28 February 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 May 2013.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*

— HKFRS 10, *Consolidated financial statements*

— HKFRS 13, *Fair value measurements*

— Revised HKAS 19, *Employee benefits*

— Amendments to HKFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

The above developments have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 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 period are as follows:

	Six months ended 31 August	
	2013	2012
	$	*$*
Interest earned on loan receivables		
— Pawn loans	**28,127,014**	29,320,868
— Mortgages	**13,014,729**	2,923,408
	41,141,743	32,244,276
Gain on disposal of repossessed assets	**868,524**	2,967,568
	42,010,267	35,211,844

Cost of repossessed assets disposed for the six months ended 31 August 2013 amounted to $29 million (six months ended 31 August 2012: $24 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 six months ended 31 August 2013 (six months ended 31 August 2012: Nil).

5 SEGMENT REPORTING

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

6 OTHER REVENUE AND NET INCOME

	Six months ended 31 August	
	2013	2012
	$	*$*
Other revenue		
Rental income	**365,100**	374,944
Dividend income from trading securities	**—**	95
Interest earned on unsecured loans	**30,161**	25,304
Credit related fee income	**1,001,939**	135,000
Bank interest income	**495,760**	249
Others	**311,785**	573,026
	2,204,745	1,108,618

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 31 August	
	2013	2012
	$	*$*
(a) Finance costs		
Finance charges on obligations under finance leases	**7,602**	11,389
Interest on bank loans and overdrafts wholly repayable within five years	**1,319,384**	128,044
	1,326,986	139,433
(b) Other items		
Depreciation	**262,483**	188,096
(Credited to)/charged for impairment losses on loan receivables	**(4,385)**	19,088
Staff costs	**9,028,434**	7,789,782
Premises and equipment expenses excluding depreciation	**4,084,507**	3,757,999
Advertising expenses	**2,661,547**	1,560,008
Listing expenses	**4,854,197**	5,659,248
Auditor's remuneration	**440,000**	150,000
Others	**2,763,962**	1,857,143
	24,090,745	20,981,364

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 31 August	
	2013	2012
	$	*$*
Current tax — Hong Kong Profits Tax	**3,738,869**	3,483,194
Deferred taxation	**(43,373)**	(20,662)
	3,695,496	3,462,532

Pursuant to the rules and regulations of the 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.

The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) to the estimated assessable profits for the six months ended 31 August 2013, except for that of the Sole Proprietorship Businesses which is calculated at 15% for the estimated assessable profits for the six months ended 31 August 2012.

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 of $15,101,785 (six months ended 31 August 2012: $11,737,133) and the weighted average of 394,022,000 ordinary shares (six months ended 31 August 2012: 300,000,000 shares, after adjusting for the reorganisation and the capitalisation issue in March 2013) in issue during the interim period.

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

10 LOAN RECEIVABLES

	31 August 2013	28 February 2013
	$	$
Pawn loans	**119,896,140**	117,321,040
Mortgages	**219,839,737**	113,475,375
Unsecured loans	**450,000**	—
Gross loan receivables	**340,185,877**	230,796,415
Less: Impairment allowance *(note 10(a))*		
— Individually assessed	**(51,493)**	(59,858)
— Collectively assessed	**(188,461)**	(184,481)
	(239,954)	(244,339)
	339,945,923	230,552,076
Current portion included under current assets	**(280,739,273)**	(200,752,663)
Amounts due after one year included under non-current assets	**59,206,650**	29,799,413

(a) Movement in impairment losses

	Six months ended 31 August					
	2013			2012		
	Individual	**Collective**	**Total**	Individual	Collective	Total
	$	**$**	**$**	$	$	$
At 1 March	**59,858**	**184,481**	**244,339**	139,170	55,391	194,561
Impairment losses (credited to)/ charged for profit or loss	**(8,365)**	**3,980**	**(4,385)**	(51,470)	70,558	19,088
At 31 August	**51,493**	**188,461**	**239,954**	87,700	125,949	213,649

(b) Ageing analysis

Ageing analysis is prepared based on contractual due date.

	Pawn loans	Mortgages	Unsecured loans	Total
	$	$	$	$
31 August 2013				
Neither past due nor impaired	**114,892,290**	**219,839,737**	**450,000**	**335,182,027**
Less than 1 month past due	**4,105,550**	**—**	**—**	**4,105,550**
1 to 3 months past due	**898,300**	**—**	**—**	**898,300**
	119,896,140	**219,839,737**	**450,000**	**340,185,877**
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

11 TRADE AND OTHER RECEIVABLES

	31 August 2013	28 February 2013
	$	$
Trade receivables	**208,000**	421,400
Interest receivables	**11,578,085**	10,311,661
Deposits and payments in advance	**2,832,202**	2,308,191
Prepaid listing expenses	**—**	3,570,490
Other assets	**101,500**	101,500
	14,719,787	16,713,242

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.

Ageing analysis of trade receivables

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

	31 August 2013	28 February 2013
	$	$
Neither past due nor impaired	**108,000**	301,400
Less than 1 month past due	**100,000**	120,000
	208,000	421,400

Receivables that were neither past due nor impaired relate to 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 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 August 2013	28 February 2013
	$	*$*
Cash in hand	**5,996,143**	4,762,836
Cash at banks	**11,139,785**	15,015,543
Cash and cash equivalents in the statements of financial position	**17,135,928**	19,778,379
Bank overdrafts *(note 13)*	**(2,466,079)**	(5,753,447)
Cash and cash equivalents in the consolidated cash flow statements	**14,669,849**	14,024,932

13 BANK LOANS AND OVERDRAFTS

The details of the bank loans and overdrafts were as follows:

	31 August 2013	28 February 2013
	$	*$*
Secured bank overdrafts *(note 13(a))*	**—**	449,156
Unsecured bank overdrafts *(note 13(b))*	**2,466,079**	5,304,291
	2,466,079	5,753,447
Bank loans, secured *(note 13(c))*	**66,042,000**	49,000,000
Bank loans, unsecured *(note 13(d))*	**4,380,000**	13,760,000
	70,422,000	62,760,000
Total bank loans and overdrafts — repayable within 1 year or on demand	**72,888,079**	68,513,447

(a) At 28 February 2013, secured bank overdraft facilities of $7,000,000 were provided and utilised to the extent of $449,156. The facilities were secured by personal guarantee deposits of a director and his spouse. During the six months ended 31 August 2013, the personal guarantee deposits had been released and replaced by a corporate guarantee by the Company, therefore all the secured bank overdraft facilities were expired and then included in the unsecured bank overdraft facilities (see note 13(b)).

(b) At 31 August 2013, unsecured bank overdraft facilities of $28,500,000 (28 February 2013: $15,000,000) were provided and utilised to the extent of $2,466,079 (28 February 2013: $5,304,291). At 31 August 2013, the above facilities were guaranteed by the Company while the above facilities obtained at 28 February 2013 were secured by the joint personal guarantee of two directors (see note 17(d)).

(c) At 31 August 2013, an uncommitted secured revolving bank loan facility of the lower of $100 million (28 February 2013: $55 million) or a certain percentage of the aggregate principal amount of the mortgage loan receivables of the Group which are then sub charged/sub-mortgaged to the bank was obtained. The tenor for the facility ranged from one month, two months, three months or six months as selected by the Group. As at 31 August 2013, the available uncommitted banking facility after taking into consideration of the drawdown was approximately $0.6 million (28 February 2013: $5 million) which was secured by loan receivables of the Group with a carrying value of approximately $83 million (28 February 2013: $67 million). At 31 August 2013, the above facilities were guaranteed by the Company while the above facilities obtained at 28 February 2013 were secured by the joint personal guarantee of two directors (see note 17(d)).

(d) At 31 August 2013, unsecured bank loan facilities of $13,760,000 (28 February 2013: $13,760,000) were provided and utilised to the extent of $4,380,000 (28 February 2013: $13,760,000). At 31 August 2013, the above facilities were guaranteed by the Company while the above facilities obtained at 28 February 2013 were secured by the joint personal guarantee of two directors (see note 17(d)).

During the period/year, the Group's banking facilities are not subject to the fulfilment of financial covenants.

14 ACCRUALS AND OTHER PAYABLES

	31 August 2013	28 February 2013
	$	*$*
Accrued expenses	**2,379,751**	3,666,075
Provision for long services payment	**760,847**	529,574
Other payable and deposit received	**1,330,742**	1,363,736
	4,471,340	5,559,385

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

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share Capital

	Note	*Par value* *$*	*No of shares*	*$*
Authorised:				
At 5 June 2012 (date of incorporation)		0.01	38,000,000	380,000
Increase in share capital on 19 February 2013		0.01	99,962,000,000	999,620,000
At 28 February/31 August 2013		0.01	100,000,000,000	1,000,000,000
Issued and fully paid:				
At 5 June 2012 (date of incorporation)		0.01	1	0.01
Issue of shares upon the Reorganisation		0.01	9,999,999	99,999.99
At 28 February 2013		0.01	10,000,000	100,000
At 1 March 2013		0.01	10,000,000	100,000
Capitalisation issue	15(c)	0.01	290,000,000	2,900,000
Issue of shares under placing and public offering	15(d)	0.01	100,000,000	1,000,000
At 31 August 2013		0.01	400,000,000	4,000,000

(b) Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the six months ended 31 August 2013:

The directors do not recommend the payment of interim dividend for the six months ended 31 August 2013.

(ii) Dividends declared and paid to the original equity shareholders of Oi Wah Pawnshop Credit Limited ("Oi Wah HK"), formerly known as Oi Wah Pawnshop Holding Limited, prior to the completion of the Reorganisation on 18 February 2013:

— During the six months ended 31 August 2012, Oi Wah HK declared and paid final dividends of $0.579 per share (totaling $5,790,000) in respect of financial year ended 29 February 2012.

(c) Capitalisation issue

Upon the completion of the public offering and placing of the Company's shares on 12 March 2013, the Company capitalised an amount of $2,900,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 290,000,000 shares, each of which to be allotted and issued to the shareholder of the Company appearing on the register of members of the Company on 19 February 2013 in proportion to their respective shareholdings.

(d) Issue of shares under placing and public offering

On 12 March 2013, the Company issued 100,000,000 shares with a par value of $0.01 each, at a price of $0.98 per share by way of placing and public offering. Net proceeds from such issues amounted to $89,525,004, (after offsetting expenses directly attributable to the issue of shares of $8,474,996), out of which $1,000,000 and $88,525,004 were recorded in share capital and share premium respectively.

16 OPERATING LEASE COMMITMENTS

Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	31 August 2013	28 February 2013
	$	*$*
Within one year	**7,323,715**	7,322,272
After one year but within five years	**8,119,959**	6,697,427
	15,443,674	14,019,699

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 5 years. Lease payments are usually increased at the end of the lease term to reflect market rentals. None of the leases includes contingent rentals.

17 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Key management personnel remuneration

	Six months ended 31 August	
	2013	2012
	$	*$*
Salary and other emoluments	**1,791,623**	662,476
Discretionary bonuses	**261,420**	76,936
Contributions to Mandatory Provident Fund	**44,878**	18,750
Others	**19,000**	11,400
	2,116,921	769,562

(b) Transactions with other related parties

During the period, the Group entered into transactions with related parties in the ordinary course of its business as follows:

	Six months ended 31 August	
	2013	2012
	$	*$*
Maintenance fee paid to Chart Keung Building Contractors Ltd. ("Chart Keung")	**—**	42,500
Legal fee paid to Chow C.L. & Macksion Chan, Solicitors ("Chow C.L.")	**—**	46,865
Rental expense paid to		
— Kwan Chart (Holding) Company Ltd.	**200,000**	240,000
— Kwan Chart Estate Company Ltd.	**234,000**	237,000
— Mr. Chan Chart Man	**240,000**	240,000

Chart Keung provided maintenance service for all the pawnshops and office of the Group.

Chow C.L. provided legal services for mortgage business of the Group.

The directors consider that all related party transactions during the period were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(c) Personal guarantee deposits provided to the bank in respect of the Group's banking facilities

	31 August 2013	28 February 2013
	$	*$*
Mr. Chan Chart Man	**—**	4,530,000
Ms. Mui Hang Sin	**—**	2,500,000

The personal guarantee deposits have been released and replaced by a corporate guarantee by the Company upon the listing of the Company's shares on the Stock Exchange.

(d) Personal guarantees provided to the bank in respect of the Group's banking facilities

	31 August 2013 *$*	28 February 2013 *$*
Jointly guaranteed by Mr. Chan Chart Man and Mr. Chan Kai Ho Edward	—	83,760,000

The personal guarantees have been subsequently released and replaced by a corporate guarantee by the Company upon the listing of the Company's shares on the Stock Exchange.

(e) Personal guarantees provided to landlord in respect of the Group's rental of premises

	31 August 2013 *$*	28 February 2013 *$*
Mr. Chan Chart Man	—	745,800
Mr. Chan Kai Ho Edward	**2,830,180**	3,616,860

The rental guarantees are provided to the landlords in respect of the Group's pawnshops lease contracts. The guarantees mature at the end of the related contracts.

18 SUBSEQUENT EVENTS

The following significant event took place subsequent to 31 August 2013:

Obtaining a revolving loan facility amounted to $100,000,000 from Kwan Lik Holding Limited ("Kwan Lik")

On 13 September 2013, Oi Wah HK had entered into an agreement with Kwan Lik for a loan facility amounted $100,000,000. The loan is unsecured, interest bearing at 5% per annum and this revolving loan will expire on 12 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since its successful listing (the "**Listing**") of the shares of the Company on the Main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 March 2013, our Group has been actively expanding its brand name and business.

Pawn loan business

The pawn loan business remained a major source of income for our Group. In the reporting period, the interest income from the pawn loan business decreased slightly to approximately HK$28.1 million in the six months ended 31 August 2013 ("FP2014") from approximately HK$29.3 million from the same period last year. This was mainly due to the plummeting gold price during the reporting period causing our Group turning more cautious on granting of pawn loans.

Mortgage loan business

The mortgage loan business has continued to show rapid growth within the reporting period due to the expansion of our Group's continued expansion of loan portfolio. The aggregated loan amount surged from approximately HK$41.2 million in the six months ended 31 August 2012 ("FP2013") to approximately HK$196.2 million in the FP2014, with the interest income rose significantly from approximately HK$2.9 million in FP2013 to approximately HK$13.0 million in FP2014, representing an increase of 348.3%.

During the reporting period, our Group's mortgage loan business has recorded 99 transactions, as compared to 29 transactions in the same period last year. As at the date of this announcement, our Group has disclosed six substantial loan agreements in relation to granting of loans to our Group's customers, with loan amounts or facility limit ranging from HK$10,000,000 to HK$30,000,000.

INDUSTRY OVERVIEW

The growth in pawnshop industry remains steady. Although there has been a slight decrease in our Group's aggregated pawn loan amount and interest income earned on pawn loan services because of the fluctuating gold price, the Directors are of the view that market demand for pawn loan business remains stable, as evident by the stable number of transactions.

With the government's stringent policy on the property market in Hong Kong, the market has seen a shrink in transaction over the last few months. However, our Group's target customers are high net worth clients with short-term financial needs who cannot obtain loans from authorised institutions. The Directors are of the view that the market demand will continue to grow, as supported by the surging aggregated loan amount of our Group's mortgage loan business.

FINANCIAL REVIEW

Turnover

Our Group's turnover increased from approximately HK$35.2 million in FP2013 to approximately HK$42.0 million in FP2014, representing an increase of approximately HK$6.8 million or 19.3%. The increase was attributable to the increase in our interest income earned on our loan receivables by approximately HK$8.9 million or 27.6% from approximately HK$32.2 million in FP2013 to approximately HK$41.1 million in FP2014, offset by a decrease in gain on disposal of repossessed assets by approximately HK$2.1 million or 70.0% from approximately HK$3.0 million in FP2013 to approximately HK$0.9 million in FP2014.

The increase in our interest income earned on our loan receivables in FP2014 was attributable to a significant increase in our interest income earned on our mortgage loan business, offset by a slight decrease in our interest income earned on our pawn loan business.

Interest income earned on our mortgage loan services increased significantly from approximately HK$2.9 million in FP2013 to HK$13.0 million in FP2014, representing an increase of approximately HK$10.1 million or 348.3%. The increase was mainly due to the continuous expansion of our mortgage loan portfolio in FP2014. The number of new mortgage loans granted increased from 29 transactions in FP2013 to 99 transactions in FP2014 and the total amount of new mortgage loans granted increased significantly from approximately HK$41.2 million in FP2013 to approximately HK$196.2 million in FP2014.

Interest income earned on our pawn loan services slightly decreased from approximately HK$29.3 million in FP2013 to HK$28.1 million in FP2014, representing an decrease of approximately HK$1.2 million or 4.1%. The decrease was primarily attributable to our decrease in the aggregated amount of pawn loans granted which decreased from approximately HK$281.1 million in FP2013 to approximately HK$254.1 million in FP2014. While the average loan amount of each transaction remained relatively unchanged at approximately HK$3,900 for both periods, the decrease was mainly due to our Group having turned more cautious on granting of pawn loans as a result of the fluctuation of the gold price during FP2014.

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 FP2014 was mainly due to the fact that the gold price remained stable at approximately US$1,600 per ounce in FP2013 while the gold price per ounce decreased from approximately US$1,600 to approximately US$1,300 during FP2014. Since every pawn loan has a loan term of four lunar months, the revenue was affected by the gold depreciation in FP2014 and thus recorded a decrease on gain on disposal of repossessed assets.

Other revenue

Other revenue increased from approximately HK$1.1 million in FP2013 to HK$2.2 million in FP2014, representing an increase of approximately HK$1.1 million or 100.0%, which was mainly due to the increase in our credit-related fee income by approximately HK$0.9 million representing early repayment fees and handling charges from our mortgage loan customers.

Operating expenses

Operating expenses increased by approximately HK3.1 million or 14.8% from approximately HK$21.0 million in FP2013 to approximately HK$24.1 million in FP2014.

Staff costs increased by approximately HK$1.2 million or 15.4% from approximately HK$7.8 million in FP2013 to HK$9.0 million in FP2014. The increase was mainly attributable to (i) the increase in salaries and other benefits of approximately HK$0.2 million mainly due to the increase in headcount from 52 to 55 during FP2014, and (ii) the increase in directors' remuneration of approximately HK$0.9 million.

With regard to the successful Listing, a non-recurring listing expense of approximately HK$4.9 million was recognised during FP2014. For FP2013, this one-off expense was approximately HK$5.7 million.

Excluding the staff costs and listing expenses of approximately HK$13.9 million in FP2014 as mentioned above, other operating expenses increased by approximately HK$2.7 million or 36.0% from approximately HK$7.5 million in FP2013 to approximately HK$10.2 million in FP2014, which was mainly due to the increase in advertising expenses, rental expenses and professional fee by approximately HK$1.1 million, HK$0.3 million and HK$0.7 million respectively.

Finance costs

The finance costs increased significantly by approximately HK$1.2 million or 1,200.0% from approximately HK$0.1 million in FP2013 to approximately HK$1.3 million in FP2014. The increase was mostly due to an increase in the amount of bank loans and overdrafts in FP2014 as we obtained and utilised more bank loans and overdraft facilities for funding our expansion of pawn loan and mortgage loan portfolios.

Credited to/charged for impairment losses on loan receivables

The impairment losses on loan receivables credited to profit or loss in FP2014 of approximately HK$4,000 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$8,000; and (ii) the impairment losses on loan receivables that were collectively assessed being charged to profit or loss of approximately HK$4,000. In FP2013, the impairment losses on loan receivables charged to profit or loss of approximately HK$19,000 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$51,000; and (ii) the impairment losses on loan receivables that were collectively assessed being charged to profit or loss of approximately HK$70,000.

Profit before taxation excluding listing expenses

As a result of the foregoings, our profit before taxation excluding listing expenses increased by approximately HK$2.8 million or 13.4% from approximately HK$20.9 million in FP2013 to approximately HK$23.7 million in FP2014.

Income tax expenses

Our Group's effective tax rate for FP2014 was approximately 19.7% as compared to approximately 22.8% for FP2013. The effective tax rate for both periods being higher than the standard tax rate charged in Hong Kong (16.5%) was mainly due to the listing expenses in relation to the Listing which were non-deductible for tax purposes. If excluding the non-recurring listing expenses in both periods, the effective tax rate for FP2014 and FP2013 would have been approximately 15.6% and approximately 16.6% respectively.

The decrease in effective tax rate for FP2014 after excluding the non-recurring listing expenses was mainly attributable to an over provision of profit tax in respect of prior years amounted to approximately HK$0.1 million. The amount contributed approximately 0.6% decrease to the effective tax rate for FP2014.

Profit and total comprehensive income for the period

Our Group's profit for FP2014 increased to approximately HK$15.1 million from approximately HK$11.7 million in FP2013, representing an increase of approximately HK$3.4 million or 29.1%. If excluding the non-recurring listing expenses of approximately HK$4.9 million and HK$5.7 million in FP2014 and FP2013 respectively, the profit for FP2014 would have increased by approximately HK$2.6 million or 14.9% as compared to that in FP2013.

The increase was mainly attributable to the increase in turnover amounted to HK$6.8 million, netting off with the increase in expenses in staff cost, advertising expenses, finance cost and professional fee amounted to HK$1.2 million, HK$1.1 million, HK$1.2 million and HK$0.7 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2013, cash and cash equivalents, after netting off with the bank overdraft, amounted to approximately HK$14.7 million, representing a net increase of approximately HK$0.7 million as compared to the position as at 28 February 2013.

For FP2014, net cash outflow from operating activities of our Group amounted to approximately HK$95.5 million. It is mainly due to the increase in loan receivables amounted to approximately HK$109.4 million during FP2014. The net cash inflow from financing activities of our Group amounted to approximately HK$95.8 million for FP2014 which was mainly due to the net proceeds from the initial public offering of the shares of our Company (the "**IPO**") which amounted to approximately HK$89.5 million.

KEY FINANCIAL RATIOS

	As at 31 August 2013	As at 28 February 2013
Current ratio (1)	**4x**	3x
Gearing ratio (2)	**24.5%**	35.5%

	For the period ended 31 August 2013	For the period ended 31 August 2012
Return on total assets (3)	**4.0%**	5.7%
Return on equity (4)	**5.1%**	8.3%
Net interest margin (5)	**26.3%**	37.5%
— pawn loan services	**43.5%**	44.6%
— mortgage loan services	**13.5%**	14.4%

Notes:

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

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

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

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

(5) Net interest margin during the period 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 period.

Current ratio

Our Group's current ratio increased from approximately 3 times as at 28 February 2013 to approximately 4 times as at 31 August 2013, which was mainly due to the increase in current loan receivables from approximately HK$200.8 million as at 28 February 2013 to approximately HK$280.7 million as at 31 August 2013 or approximately 39.8%.

Gearing ratio

Our Group's gearing ratio decreased from approximately 35.5% as at 28 February 2013 to approximately 24.5% as at 31 August 2013, which was mainly due to the increase in equity due to the net proceeds from the IPO amounted to approximately HK$89.5 million.

Return on total assets and return on equity

Our return on total assets and return on equity decreased from approximately 5.7% and 8.3% respectively in FP2013 to approximately 4.0% and 5.1% respectively in FP2014. The reason for the decrease was mainly due to the effect of receiving the net proceeds from the IPO was not fully reflect in the profit and loss during FP2014.

Net interest margin

The net interest margin decreased from approximately 37.5% in FP2013 to approximately 26.3% in FP2014 since a greater proportion of our interest income was earned from mortgage loans in FP2014, from which we generally charged comparatively lower interest rate than that charged on our pawn loans. For FP2013 and FP2014, interest earned on mortgage loans contributed approximately 9.0% and 31.6% to our total interest income, respectively, resulted from the expansion of our mortgage loan business during FP2014.

PROSPECTS

Considering the uncertainties of the property market caused by the stringent government policy, our Group will continue to adopt a more conservative approach to valuation and maintain a lower loan-to-value ratio based on the value of the mortgaged properties determined by independent valuers.

Our Group's pawn loan business and mortgage loan business are compliments to each other, and with the "Oi Wah" brand's market recognition, the Directors believe that our Group is well positioned to capture more market share. Looking forward, our Group will strive to increase its interest margin to secure a larger source of income.

USE OF PROCEEDS OF THE LISTING

The net proceeds from the IPO was approximately HK$89.5 million after deducting underwriting commissions and related expenses. As at 31 August 2013, the utilised net proceeds from the IPO amounted to HK$84.3 million.

The following table sets forth a breakdown of the use of net proceeds from the IPO during FP2014:

Net proceeds from the IPO (HK$)

Use of net proceeds	**Available to utilise**	**Utilised as at 31 August 2013**	**Unutilised as at 31 August 2013**
Use on mortgage business			
— expand mortgage portfolio	**51,029,252**	**51,029,252**	**—**
— revamp company website	**1,790,500**	**21,000**	**1,769,500**
— recruit personnel with mortgage business experience	**895,250**	**173,893**	**721,357**
Use on pawn loan business			
— expand pawn loan portfolio	**22,381,251**	**22,381,251**	**—**
— establish new Customer Service Centre	**2,685,750**	**—**	**2,685,750**
Used for general working capital and general corporate purpose	**8,952,500**	**8,952,500**	**—**
Use on marketing	**1,790,501**	**1,790,501**	**—**
Total	**89,525,004**	**84,348,397**	**5,176,607**

HUMAN RESOURCES

As at 31 August 2013, our Group had a total of 55 staff (28 February 2013: 52). Total staff costs (including Directors' emoluments) were approximately HK$9.0 million for FP2014 (FP2013: approximately HK$7.8 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme and contributions to statutory mandatory provident fund scheme to our Group's employees in Hong Kong.

INTERNAL CONTROL

The Board considers that our Group's internal control system was effective and adequate for FP2014. The Board, through the audit committee of our Company, has conducted review on the internal control system and considers no significant areas of concern which may affect the operation of our Company have been identified.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

Neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities during FP2014.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group had not engaged in any material acquisitions or disposals for FP2014.

ADVANCE TO ENTITY

As disclosed in the announcement (the "**Announcement**") of our Company dated 21 August 2013, Oi Wah Pawnshop Credit Limited ("**Oi Wah HK**"), being an indirectly wholly-owned subsidiary of our Company, as lender entered into a loan agreement (the "**Loan Agreement**") with a customer (the "**Customer**") as borrower on 21 August 2013. Pursuant to the Loan Agreement, Oi Wah HK has agreed to grant a mortgage loan in the amount of HK$10.0 million (the "**Loan**") to the Customer for a term of 1 month. The Customer is a company incorporated in Hong Kong principally engaged in the business of property investment. The Customer is our repeated customer with no default record in our Group. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Customer is an independent third party and not connected with our Group. The principal terms of Loan Agreement are set out below:

Loan amount:

HK$10.0 million representing approximately 2.6% of the total assets of our Group of approximately HK$380.0 million as at 31 August 2013, approximately 3.4% to the net assets of our Group of approximately HK$298.5 million and approximately 4.5% to the total mortgage loan portfolio of our Group of approximately HK$219.8 million as at 31 August 2013 (all based on the unaudited consolidated financial statements of our Group for FP2014).

Interest:

Interest rate on the amount of the Loan is P + 18.75% per annum where P represented the prime rate of 5.25% of Wing Lung Bank Limited as of the date of the Loan Agreement, subject to fluctuation.

Term of the Loan:

1 month from the drawdown date of the Loan Agreement on 21 August 2013.

Security:

A second legal charge/mortgage in respect of a commercial property located in Tsim Sha Tsui, Kowloon, Hong Kong with valuation conducted by an independent property valuer on 19 August 2013 with an aggregate amount of approximately HK$240.0 million.

Repayment:

The Customer shall repay the interests on a monthly basis with the principal amount at loan maturity.

Early redemption/renewal:

Handling charges plus interest in sum of HK$0.2 million in total (subject to the terms of the Loan Agreement).

Other terms of the Loan Agreement:

Pursuant to the Loan Agreement, the Loan is guaranteed by three individuals who are independent third parties not connected with our Group and the mortgaged property is insured against fire risks with an insurance company approved by Oi Wah HK.

Credit risk:

The making of the Loan is collateralised. The collateral provided by the Customer for the Loan is sufficient as the aggregate loan-to-value ratio of the mortgaged property is not more than 40% (loan-to-value ratio of first mortgage: 35%, loan-to-value ratio of the Loan as a subordinated mortgage: 5%) based on the value of the mortgaged property determined by an independent valuer.

The advance was also made on the basis of our Company's credit assessments on the Customer's financial strength and repayment ability, the collateral provided (which is at a prime site in Kowloon), and the relatively short term nature of the advance. After taking into account the factors as disclosed above in assessing the risks of the relevant advance, our Company considers that the risks involved in the advance to the Customer are relatively low.

For further details, please refer to the Announcement.

CORPORATE GOVERNANCE PRACTICES

For the six months ended 31 August 2013, our Company has complied with all the code provisions as set out in the Corporate Governance Code (the "Code Provisions") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), 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, an executive Director, currently holds both positions. Mr. Chan Kai Ho Edward has been the key leadership figure of our Group, who has been primarily involved in formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises other executive Directors and senior management of our Group. Taking into account the continuation of the implementation of our Group's business plans, the Directors (including the independent non-executive Directors) consider that Mr. Chan Kai Ho Edward is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and the Shareholders as a whole.

MODEL CODE FOR DIRECTORS SECURITIES TRANSACTIONS

Our 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 Directors' securities transactions. The Board have made specific enquiry to all Directors and the Directors confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 31 August 2013.

REVIEW OF INTERIM RESULTS

The audit committee together with the management of our Company has reviewed our Group's unaudited interim consolidated financial statements for the six months ended 31 August 2013. The audit committee is of the opinion that such financial statements have complied with the applicable accounting standards, and the requirements of the Stock Exchange and the applicable legal requirements, and that adequate disclosure has been made. The audit committee has also reviewed this announcement and confirmed that it is complete and accurate and complies with the Listing Rules.

DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 31 August 2013.

PUBLICATION

The interim results announcement of our Company for the six months ended 31 August 2013 is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.pawnshop.com.hk) respectively. The 2013 interim report will be dispatched to the shareholders of our Company and published on the respective websites of the Stock Exchange and our Company 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, 21 October 2013

As at the date of this announcement, the Board comprises Mr. Chan Kai Ho Edward (Chief Executive Officer and Chairman), Mr. Chan Chart Man, Ms. Chan Mei Fong and Ms. Chan Ying Yu as executive Directors; Mr. 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.