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 2014

FINANCIAL HIGHLIGHTS

		2014	2013	Change
Turnover		**95,815,052**	71,739,895	33.6%
Profit before taxation excluding listing expenses		**54,835,998**	41,466,412	32.2%
Profit before taxation		**49,981,801**	30,304,944	64.9%
Profit for the year attributable to shareholders		**41,076,096**	22,705,941	80.9%
Net profit margin		**42.9%**	31.7%	
Basic earnings per share *(in HK cents)*		**10.4**	7.6	
		As at 28 February 2014	As at 28 February 2013	
Gross loan receivables		**489,972,005**	230,796,415	112.3%
Total assets		**527,904,338**	274,112,733	92.6%
Total equity		**324,424,759**	193,823,659	67.4%
Net interest margin	*Note*	**23.8%**	34.0%	
For pawn loan services		**43.7%**	43.5%	
For mortgage loan services		**13.2%**	12.5%	

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 2014, together with the comparative figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2014
(Expressed in Hong Kong dollars)

	Note	**28 February 2014** **$**	28 February 2013 $
Turnover	*3*	**95,815,052**	71,739,895
Other revenue	*5*	**4,278,817**	1,610,203
Other net income	*5*	**—**	234
Operating income		**100,093,869**	73,350,332
Operating expenses	*6*	**(44,488,331)**	(42,173,951)
Charge for impairment losses on loan receivables	*7*	**(365,282)**	(49,778)
Profit from operations		**55,240,256**	31,126,603
Finance costs	*6(a)*	**(5,258,455)**	(821,659)
Profit before taxation	*6*	**49,981,801**	30,304,944
Income tax	*8*	**(8,905,705)**	(7,599,003)
Profit and total comprehensive income for the year		**41,076,096**	22,705,941
Profit and total comprehensive income for the year attributable to shareholders		**41,076,096**	22,705,941
Earnings per share *(in HK cents)*	*9*	**10.4**	7.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2014

(Expressed in Hong Kong dollars)

	Note	**28 February 2014** **$**	28 February 2013 $
Non-current assets			
Fixed assets		**1,291,483**	1,657,829
Loan receivables	*10*	**82,568,098**	29,799,413
Deferred tax assets		**336,220**	196,183
		84,195,801	31,653,425
Current assets			
Repossessed assets		**7,929,540**	5,215,024
Loan receivables	*10*	**406,794,286**	200,752,663
Trade and other receivables	*11*	**17,274,049**	16,713,242
Cash and cash equivalents		**11,710,662**	19,778,379
		443,708,537	242,459,308
Current liabilities			
Accruals and other payables	*13*	**4,984,014**	5,559,385
Bank loans and overdrafts	*12*	**112,995,925**	68,513,447
Obligations under finance leases		**173,548**	165,511
Loans from ultimate holding company		**80,500,000**	—
Current taxation		**4,811,256**	5,862,347
		203,464,743	80,100,690
Net current assets		**240,243,794**	162,358,618
Total assets less current liabilities		**324,439,595**	194,012,043
Non-current liabilities			
Obligations under finance leases		**14,836**	188,384
NET ASSETS		**324,424,759**	193,823,659
CAPITAL AND RESERVES			
Capital		**4,000,000**	100,000
Reserves		**320,424,759**	193,723,659
TOTAL EQUITY		**324,424,759**	193,823,659

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 February 2014

(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 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 *(see note 2(d))*.

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 cost 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 2014	28 February 2013
	$	*$*
Interest earned on loan receivables		
— Pawn loans	**56,822,586**	56,722,057
— Mortgages	**37,450,025**	7,955,494
	94,272,611	64,677,551
Gain on disposal of repossessed assets	**1,542,441**	7,062,344
	95,815,052	71,739,895

Cost of repossessed assets disposed for the year ended 28 February 2014 amounted to $50 million (2013: $61 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 (2013: Nil).

4 SEGMENT REPORTING

The Group has one reportable segment, which is the provision of secured financing business 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 2014	28 February 2013
	$	*$*
Other revenue		
Rental income	**867,600**	737,494
Dividend income from trading securities	**—**	133
Interest earned on unsecured loans	**117,362**	25,304
Credit related fee income	**2,278,374**	193,000
Bank interest income	**495,864**	403
Others	**519,617**	653,869
	4,278,817	1,610,203
Other net income		
Net realised and unrealised gain on trading securities	**—**	234
	—	234

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	28 February 2014	28 February 2013
	$	*$*
(a) Finance costs		
Finance charges on obligations under finance leases	**13,241**	20,907
Interest on loans from ultimate holding company wholly repayable within five years	**868,151**	—
Interest on bank loans and overdrafts wholly repayable within five years	**4,377,063**	800,752
	5,258,455	821,659
(b) Staff costs		
Salaries and other benefits	**14,978,035**	13,515,693
Directors' remuneration	**2,864,291**	1,120,378
Contributions to defined contribution scheme	**493,178**	403,487
Provision for long service payment	**201,372**	236,350
	18,536,876	15,275,908

(c) Other operating expenses

Premises and equipment expenses excluding depreciation:		
— rental of premises	**8,735,573**	7,443,151
— maintenance, repairs and others	**917,930**	697,202
	9,653,503	8,140,353
Listing expenses	**4,854,197**	11,161,468
Auditors' remuneration	**880,000**	300,000
Depreciation	**531,024**	426,764
Advertising expenses	**4,782,157**	2,841,006
Others	**5,250,574**	4,028,452
	16,297,952	18,757,690
	44,488,331	42,173,951

7 IMPAIRMENT LOSSES ON LOAN RECEIVABLES

	28 February 2014	28 February 2013
	$	*$*
Impairment losses on loan receivables		
— Individual impairment losses credited to profit or loss *(see note 10(a))*	**(4,498)**	(79,312)
— Collective impairment losses charged to profit or loss *(see note 10(a))*	**369,780**	129,090
	365,282	49,778

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Taxation in the consolidated statements of comprehensive income represents:

	28 February 2014	28 February 2013
	$	*$*
Current tax — Hong Kong Profits Tax		
Provision for the year	**9,184,045**	7,033,162
(Over)/under-provision in respect of prior years	**(138,303)**	539,412
	9,045,742	7,572,574
Deferred tax		
Origination and reversal of temporary differences	**(140,037)**	26,429
Tax expense	**8,905,705**	7,599,003

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 for the year ended 28 February 2013.

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 2014 of $41,076,096 (2013: $22,705,941) 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 2014 ***Number of shares***	28 February 2013 *Number of shares*
Issued ordinary share at 1 March 2013 / 5 June 2012	**10,000,000**	—
Effect of issue at date of incorporation	**—**	1
Effect of shares issued under the Reorganisation	**—**	9,999,999
Effect of capitalisation issue	**290,000,000**	290,000,000
Effect of share issue under placing and public offering	**96,986,301**	—
Weighted average number of ordinary shares at 28 February	**396,986,301**	300,000,000

The weighted average number of ordinary shares at 5 June 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 2012.

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 2014	28 February 2013
	$	*$*
Pawn loans	**124,360,450**	117,321,040
Mortgages	**365,022,242**	113,475,375
Unsecured loans	**589,313**	—
Gross loan receivables	**489,972,005**	230,796,415
Less: Impairment allowance *(note 10(a))*		
— Individually assessed	**(55,360)**	(59,858)
— Collectively assessed	**(554,261)**	(184,481)
	(609,621)	(244,339)
	489,362,384	230,552,076
Current portion included under current assets	**(406,794,286)**	(200,752,663)
Amounts due after one year included under non-current assets	**82,568,098**	29,799,413

(a) Movement in impairment losses

	28 February 2014			28 February 2013		
	Individual	**Collective**	**Total**	Individual	Collective	Total
	$	***$***	***$***	*$*	*$*	*$*
At 1 March	**59,858**	**184,481**	**244,339**	139,170	55,391	194,561
Impairment losses (credited)/charged to profit or loss *(note 7)*	**(4,498)**	**369,780**	**365,282**	(79,312)	129,090	49,778
At 28 February	**55,360**	**554,261**	**609,621**	59,858	184,481	244,339

(b) Ageing analysis

Ageing analysis is prepared based on contractual due date.

	Pawn loans	**Mortgages**	**Unsecured loans**	**Total**
	$	***$***	***$***	***$***
28 February 2014				
Neither past due nor impaired	**121,172,800**	**346,942,242**	**589,313**	**468,704,355**
Less than 1 month past due	**2,513,100**	**18,080,000**	**—**	**20,593,100**
1 to 3 months past due	**674,550**	**—**	**—**	**674,550**
	124,360,450	**365,022,242**	**589,313**	**489,972,005**

	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

11 TRADE AND OTHER RECEIVABLES

	28 February 2014	28 February 2013
	$	*$*
Trade receivables	**1,195,600**	421,400
Interest receivables	**13,007,166**	10,311,661
Deposits and payments in advance	**2,749,551**	2,308,191
Prepaid listing expenses	**—**	3,570,490
Others	**321,732**	101,500
	17,274,049	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:

	28 February 2014	28 February 2013
	$	*$*
Neither past due nor impaired	**1,195,600**	301,400
Less than 1 month past due	**—**	120,000
	1,195,600	421,400

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 BANK LOANS AND OVERDRAFTS

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

	2014	2013
	$	*$*
Secured bank overdrafts *(note 12(a))*	**—**	449,156
Unsecured bank overdrafts *(note 12(b))*	**6,411,345**	5,304,291
	6,411,345	5,753,447
Bank loans, secured *(note 12(c))*	**90,617,000**	49,000,000
Bank loans, unsecured *(note 12(d))*	**15,967,580**	13,760,000
	106,584,580	62,760,000
Total bank loans and overdrafts – repayable within 1 year or demand	**112,995,925**	68,513,447

(a) At 28 February 2013, secured bank overdraft facilities of $7,000,000 were provided to a subsidiary and utilised to the extent of $449,156. The facilities were secured by personal guarantee deposits of a director and his spouse. During the year ended 28 February 2014, the personal guarantee deposits had been released and replaced by a corporate guarantee by the Company.

(b) At 28 February 2014, an unsecured bank overdraft facility of $28,500,000 (2013: $15,000,000) was provided to the subsidiaries and utilised to the extent of $6,411,345 (2013: $5,304,291). The above facilities were guaranteed by the Company while the above facilities obtained at 28 February 2013 were jointly guaranteed by two directors.

(c) At 28 February 2014, an uncommitted secured revolving bank loan facility of the lower of $100 million (2013: $55 million) or a certain percentage of the aggregate principal amount of the mortgage loan receivables of a subsidiary which are then sub charged/sub-mortgaged to the bank was obtained. The tenor for the facility ranged from one month, two month, three months or six months as selected by the subsidiary. As at 28 February 2014, the available uncommitted banking facility after taking into consideration of the drawdown was approximately $4.1 million (2013: $5 million) which was secured by loan receivables with a carrying value of approximately $132 million (2013: $67 million). The above facilities were guaranteed by the Company while the above facilities obtained at 28 February 2013 were jointly guaranteed by two directors.

(d) At 28 February 2014, unsecured bank loan facilities of $15,967,580 (2013:$ 13,760,000) were provided to a subsidiary and utilised to the extent of $15,967,580 (2013: $13,760,000). The above facilities were guaranteed by the Company while the above facilities obtained at 28 February 2013 were jointly guaranteed by two directors.

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

13 ACCRUALS AND OTHER PAYABLES

	28 February 2014	28 February 2013
	$	*$*
Accrued interest expenses	**934,036**	213,057
Accrued expenses	**1,855,990**	3,453,018
Provision for long services payment	**730,946**	529,574
Other payable and deposit received	**1,463,042**	1,363,736
	4,984,014	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.

14 DIVIDENDS

Dividend payable to equity shareholders of the Company attributable to the year

	Year ended 28 February 2014	Year ended 28 February 2013
	$	*$*
Final dividend proposed after the balance sheet date of HK2.7 cents per ordinary share (2013: HK Nil cents per ordinary share)	**12,322,829**	—
	12,322,829	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Oi Wah Pawnshop Credit Holdings Limited (the "**Company**" or "**our Company**", and its subsidiaries (together with the Company are collectively referred to as the "**Group**" or "**our 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.

Pawn Loan Business

During the year ended 28 February 2014 (the "**FY2014**"), the pawn loan business remained a major source of income for our Group. The interest income from the pawn loan business maintained stable with average loan amount of transaction at HK$4,400 and the total loan amount granted was approximately HK$549.3 million for the FY2014. Although the total number of pawn loan transactions for the FY2014 was less than that of the year ended 28 February 2013 (the "**FY2013**"), the interest income remained stable which was attributable to the increase in the number of pawn loan transactions with large loan amount. As a result of our Group's successful listing and advertising effect, the demand for one-on-one pawn loan appointment services for large loan amount has been increased. Due to the declining trend in gold price, our Group has become more prudent to grant pawn loans and has also adopted a more conservative approach in assessing loan-to-value ratio.

Mortgage loan business

The mortgage loan business has continued to show rapid growth during FY2014. The aggregate outstanding loan amount surged from approximately HK$113.8 million for the FY2013 to approximately HK$365.0 million for the FY2014, representing an increase of approximately 2.2 times or 221%. Besides, there were 197 new cases of loan transactions and no bad debt recorded during the FY2014. Nevertheless, our Group's credit management remains cautious and prudent amidst the government's restricting policies.

INDUSTRY OVERVIEW

The board (the "**Board**" or "**our Board**") of directors (the "**Directors**", or "**our Directors**") of the Company believes that the pawn loan industry sustained a steady growth while the loan amount remains at a healthy growth.

Our Board is optimistic and positive about the mortgage loan business. The mortgage loan industry has become conservative as more stringent policies are imposed on the authorised institutions by the government. Such industry environment may bring new opportunities to our Group and have positive impact on the mortgage loan business of our Group ultimately. As our Group can provide more flexibility in granting loans, it meets the needs of customers who have short-term financial needs. This is a good chance to capture the high net worth clients for our Group's mortgage loan services in order to increase the market share in the industry and create business opportunities for our Group.

FINANCIAL REVIEW

Turnover

Our Group's turnover increased from approximately HK$71.7 million for the FY2013 to approximately HK$95.8 million for the FY2014, representing an increase of approximately HK$24.1 million or 33.6%. The increase was attributable to an increase in our interest income earned on our loan receivables by approximately HK$29.6 million or 45.7% from approximately HK$64.7 million in FY2013 to approximately HK$94.3 million in FY2014, offset by a decrease in gain on disposal of repossessed assets by approximately HK$5.5 million or 78.6% from approximately HK$7.0 million in FY2013 to approximately HK$1.5 million in FY2014.

The increase in our interest income earned on our loan receivables in FY2014 was attributable to an increase in our interest income earned in both of our pawn loan and mortgage loan business. Interest income earned on our pawn loan services slightly increased from approximately HK$56.7 million in FY2013 to HK$56.8 million in FY2014, representing an increase of approximately HK$0.1 million or 0.2%. The increase was primarily attributable to an increase in the (i) aggregated amount of pawn loans granted increased from approximately HK$541.6 million in FY2013 to approximately HK$549.3 million in FY2014; and (ii) average amount of pawn loans granted increased from approximately HK$3,900 per transaction in FY2013 to approximately HK$4,400 per transaction in FY2014.

Interest income earned on our mortgage loan services increased significantly from approximately HK$8.0 million in FY2013 to HK$37.5 million in FY2014, representing an increase of approximately HK$29.5 million or 368.8%. The increase was mainly due to the continuous expansion of our mortgage loan portfolio in FY2014. The number of new mortgage loans granted increased from 84 cases in FY2013 to 197 cases in FY2014 and the total amount of new mortgage loans granted increased significantly from approximately HK$119.1 million in FY2013 to approximately HK$431.8 million in FY2014.

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 FY2014 was mainly due to the fact that the gold price dropped from US$1,600 per ounce as at March 2013 to US$1,300 per ounce as at February 2014 and reached the bottom price of US$1,200 as at July 2013 while it remained stable at approximately US$1,600 per ounce in FY2013. Since every pawn loan has a loan term of four lunar months, the revenue was affected by the gold depreciation in FY2014 and thus recorded a decrease on gain on disposal of repossessed assets.

Other revenue

Other revenue increased from approximately HK$1.6 million in FY2013 to HK$4.3 million in FY2014 representing an increase of approximately HK$2.7 million or 168.8%, which was mainly due to (i) the increase in our credit-related fee income by approximately HK$2.1 million from approximately HK$0.2 million in FY2013 to approximately HK$2.3 million in FY2014, mainly representing early repayment fees; and (ii) the increase in bank interest income of approximately HK$0.5 million during FY2014.

Operating expenses

Operating expenses increased by approximately HK2.3 million or 5.5% from approximately HK$42.2 million in FY2013 to approximately HK$44.5 million in FY2014.

Staff costs increased by approximately HK$3.2 million or 20.9% from approximately HK$15.3 million in FY2013 to approximately HK$18.5 million in FY2014. The increase was mainly attributable to (i) an increase in salaries and other benefits of approximately HK$1.5 million mainly due to the increase in basic salaries; and (ii) the increase in directors' remuneration of approximately HK$1.7 million in FY2014.

Whereas our Company's successful listing on the Main Board of the Stock Exchange on 12 March 2013, our Group incurred a non-recurring listing expenses of approximately HK$4.9 million during FY2014, which was relating to the initial public offering (the "**IPO**") of our Company's shares. In FY2013, such non-recurring expenses was approximately HK$11.2 million.

Excluding the listing expenses of approximately HK$4.9 million and HK$11.2 million in FY2014 and FY2013 respectively as mentioned above, other operating expenses increased by approximately HK$5.4 million or 34.4% from approximately HK$15.7 million in FY2013 to approximately HK$21.1 million in FY2014, which was mainly due to an increase in advertising expenses, rental expenses, audit fee and depreciation by approximately HK$1.9 million, HK$1.3 million, HK$0.6 million and HK$0.1 million respectively.

Finance costs

The finance costs increased significantly by approximately HK$4.5 million or 562.5% from approximately HK$0.8 million in FY2013 to approximately HK$5.3 million in FY2014. The increase was mostly due to an increase in the amount of bank loans and overdrafts and loans obtained from a controlling shareholder of our Company in FY2014 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 increased by approximately HK$315,000 or 630.0% from approximately HK$50,000 in FY2013 to approximately HK$365,000 in FY2014. The impairment losses on loan receivables charged to profit or loss in FY2014 of approximately HK$365,000 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$5,000; and (ii) the impairment losses on loan receivables that were collectively assessed being charged to profit or loss of approximately HK$370,000. In FY2013, the impairment losses on loan receivables charged to profit or loss 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.

Profit before taxation excluding listing expenses

As a result of the foregoings, our profit before taxation excluding listing expenses increased by approximately HK$13.3 million or 32.0% from approximately HK$41.5 million in FY2013 to approximately HK$54.8 million in FY2014.

Income tax expenses

Our Group's effective tax rate for FY2014 was 17.8% as compared to 25.1% for FY2013. The decrease in effective tax rate 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$4.9 million and HK$11.2 million in FY2014 and FY2013 respectively, the effective tax rate for FY2014 and FY2013 would have been 16.2% and 18.3% respectively.

The decrease in effective tax rate for FY2014 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 0.3% decrease to the effective tax rate for FY2014.

Profit and total comprehensive income for the year

Our Group's profit for FY2014 increased to approximately HK$41.1 million from approximately HK$22.7 million in FY2013, representing an increase of approximately HK$18.4 million or 81.1%. This was mainly attributable to the inclusion of non-recurring listing expenses of approximately HK$4.9 million and HK$11.2 million as recognised in our Group's consolidated statement of comprehensive income for FY2014 and FY2013 respectively.

If excluding the non-recurring listing expenses of approximately HK$4.9 million and HK$11.2 million in FY2014 and FY2013 respectively, the profit for FY2014 would have increased by approximately HK$12.1 million or 35.7% as compared to that of in FY2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 28 February 2014, cash and cash equivalent, after netting off with the bank overdraft, amounted to approximately HK$5.3 million, representing a net decrease of approximately HK$8.7 million as compared to the position as at 28 February 2013. The decrease was attributed to the following items:

	For the year ended 28 February 2014	For the year ended 28 February 2013
	HK$	*HK$*
Net cash used in operating activities	**(217,482,419)**	(51,251,819)
Payment for the purchase of fixed assets	**(164,678)**	(685,105)
Changes in amounts due to shareholders	**—**	3,005,342
Proceeds from share issue under placing and public offering, net of issuing expenses	**89,525,004**	—
Proceed from bank loans	**43,824,580**	60,260,000
Increase in loans from ultimate holding company	**80,500,000**	—
Dividend paid	**—**	(5,900,000)
Other net inflow/(outflow)	**317,112**	(174,093)
Finance costs paid	**(5,245,214)**	(800,752)
Net (decrease)/increase in cash and cash equivalents	**(8,725,615)**	4,453,573

During FY2014, net cash outflow from operating activities of our Group amounted to approximately HK$217.5 million. It was mainly due to the increase in loan receivables amounted to approximately HK$259.2 million during the year.

KEY FINANCIAL RATIO

	As at 28 February 2014	As at 28 February 2013
Current ratio[(1)]	**2x**	3x
Gearing ratio[(2)]	**59.7%**	35.5%

	For the year ended 28 February 2014	For the year ended 28 February 2013
Return on total assets[(3)]	**7.8%**	8.3%
Return on equity[(4)]	**12.7%**	11.7%
Net interest margin[(5)]	**23.8%**	34.0%
— pawn loan services	**43.7%**	43.5%
— mortgage loan services	**13.2%**	12.5%

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, loans from ultimate holding company 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 3 times as at 28 February 2013 to approximately 2 times as at 28 February 2014, which was mainly due to the increase in bank loans and overdrafts from approximately HK$68.5 million as at 28 February 2013 to approximately HK$113.0 million as at 28 February 2014 or approximately 65.0% and increase in loans from ultimate holding company approximately HK$80.5 million as at 28 February 2014, netting-off the effect of increase in current loan receivables from approximately HK$200.8 million as at 28 February 2013 to approximately HK$406.8 million as at 28 February 2014 or 102.6%.

Gearing ratio

Our Group's gearing ratio increased from approximately 35.5% as at 28 February 2013 to approximately 59.7% as at 28 February 2014, which was mainly due to the increase in bank loans and overdrafts from approximately HK$68.5 million as at 28 February 2013 to approximately HK$113.0 million as at 28 February 2014 and increase in loans from ultimate holding company approximately HK$80.5 million as at 28 February 2014, netting off with 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

There was a slight decrease in our return on total assets and a slight increase in our return on equity from approximately 8.3% and 11.7% in FY2013 to approximately 7.8% and 12.7% in FY2014 respectively. The reason for low return on total assets and return on equity during FY2014 was mainly due to the one-off listing expenses of approximately HK$4.9 million and the effect of receiving the net proceeds from the IPO was not fully reflected in the profit and loss. The reason for low return on total assets and return on equity during FY2013 was mainly due to the one-off listing expenses of approximately HK$11.2 million incurred and decreased our net profit recorded in FY2013.

Net interest margin

The net interest margin decreased from approximately 34.0% in FY2013 to approximately 23.8% in FY2014. The decrease was due to an increase in our interest income generated by mortgage loans in FY2014 and we generally charged our customers a comparatively lower interest rate for our mortgage loans than those for our pawn loans. For FY2013 and FY2014, interest earned on mortgage loans contributed approximately 12.3% and 39.7% to our total interest income, respectively, resulted from the expansion of our mortgage loan business during the year.

PROSPECTS

Looking forward, our Group will channel its resources and effort to business development and risk control. In terms of business development, our 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, our Group will pose a more stringent control when granting loans. A more careful and conservative loan to value ratio approval will be applied. Moreover, our Group will consider cooperating with other financing service providers to jointly grant large amount of loans.

Our Board has great confidence in our Company's future prospects. A series of actions has been taken in FY 2014 to optimise the financial structure of our Company, including placing, issuing of bonds and loans from ultimate holding company, to prepare for its future expansion. Our Board is of the view that the mortgage loan business will take up a larger proportion of our Group's income in the coming year.

Looking forward, our Group will position itself to capture the high-end secured loan market and target on high net worth customers. Our Company will continue to strengthen its financial structure through negotiating better terms for bank facilities and other financing channels, so as to capture the opportunities lie ahead.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's securities during FY2014.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not engage in any material acquisitions or disposals during FY2014.

CORPORATE GOVERNANCE CODE

Our 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.

Throughout FY2014, our Company 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 our Group and has been primarily involved in the 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, our 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 our Company and its shareholders (the "**Shareholders**" or "**our Shareholders**") as a whole.

In addition, to demonstrate our Company's continued commitment to high standards of corporate governance, our Board adopted a board diversity policy in September 2013 to comply with a new Code Provision on board diversity. With the adoption of our board diversity policy, our Company has expanded the duty scope of the Nomination Committee to include the monitoring of the implementation of the policy.

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

COMPLIANCE WITH THE MODEL CODE FOR 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 securities transactions by our Directors. Our Company confirms that, having made specific enquiry of all the Directors, our Directors complied with the required standards as set out in the Model Code during FY2014.

AUDIT COMMITTEE

The audit committee of our Company has reviewed the annual results of our Group for FY2014.

ANNUAL GENERAL MEETING

The annual general meeting of our Company for FY2014 is scheduled to be held on Friday, 11 July 2014 (the "**AGM**"). A notice convening the AGM will be issued and disseminated to our Shareholders in due course.

DIVIDEND

At our Board meeting held on 23 May 2014, our Directors proposed to recommend the payment of a final dividend of HK2.7 cents per ordinary share, representing 30% of the profit attributable to our Shareholder of our Company for FY2014 . The aforesaid final dividend is subject to approval by our Shareholders at the AGM and will be paid on Friday, 1 August 2014 to our Shareholders whose names appear on the register of members of our Company at the close of business on Monday, 21 July 2014.

CLOSURE OF REGISTER OF MEMBERS

In order to establish the identity of our Shareholders who are entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road North Point Hong Kong, no later than 4:30 p.m. on Wednesday, 9 July 2014. The register of members of our Company will be closed from Thursday, 10 July 2014 to Friday, 11 July 2014, both days inclusive, during which period no transfer of shares will be registered.

In order to establish the identity of our Shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road North Point Hong Kong, no later than 4:30 p.m. on Thursday, 17 July 2014. The register of members of our Company will be closed from Friday, 18 July 2014 to Monday, 21 July 2014, both days inclusive, during which period no transfer of shares will be registered. Subject to Shareholders' approval of the proposed final dividend at the AGM, the final dividend will be paid on Friday, 1 August 2014 to Shareholders whose names appear on the register of members of our Company at the close of business on Monday, 21 July 2014.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is also published on our 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 2014 containing all relevant information required by Appendix 16 to the Listing Rules will be disseminated to our Shareholders 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, 23 May 2014

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.