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 2014, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

		Six months ended 31 August		
		2014	2013	Change
		HK$	*HK$*	
Turnover		**68,824,407**	42,010,267	63.8%
Profit before taxation		**44,103,546**	18,797,281	134.6%
Profit for the period attributable to shareholders		**36,821,622**	15,101,785	143.8%
Net profit margin		**53.5%**	35.9%	
Basic earnings per shares *(HK cents)*		**8.2**	3.8	
Net interest margin	*Note*	**22.8%**	26.3%	
For pawn loan services		**43.8%**	43.5%	
For mortgage loan services		**16.1%**	13.5%	
Aggregated new loans granted				
For pawn loan services *(HK$ million)*		**286.4**	254.1	12.7%
For mortgage loan services *(HK$ million)*		**337.2**	196.2	71.9%

	As at 31 August 2014	As at 28 February 2014	
	HK$	*HK$*	
Gross loan receivables	**622,079,075**	489,972,005	27.0%
Total assets	**665,687,741**	527,904,338	26.1%
Total equity	**419,421,381**	324,424,759	29.3%

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 2014

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 2014, with the comparative figures for the corresponding period in 2013, as follows:

Consolidated statement of comprehensive income
for the six months ended 31 August 2014 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 August	
		2014	2013
	Note	*$*	*$*
Turnover	*4*	**68,824,407**	42,010,267
Other revenue	*6*	**4,067,240**	2,204,745
Other net loss	*6*	**(76,011)**	–
Operating income		**72,815,636**	44,215,012
Operating expenses	*7*	**(24,288,835)**	(24,095,130)
Release of impairment losses on loan receivables	*7*	**201,382**	4,385
Profit from operations		**48,728,183**	20,124,267
Finance costs	*7(a)*	**(4,624,637)**	(1,326,986)
Profit before taxation	*7*	**44,103,546**	18,797,281
Income tax	*8*	**(7,281,924)**	(3,695,496)
Profit and total comprehensive income for the period		**36,821,622**	15,101,785
Profit and total comprehensive income for the period attributable to shareholders		**36,821,622**	15,101,785
Earnings per share *(in HK cents)*	*9*	**8.2**	3.8

Consolidated statement of financial position

as at 31 August 2014 – unaudited

(Expressed in Hong Kong dollars)

	Note	**31 August 2014 $**	28 February 2014 $
Non-current assets			
Fixed assets		**1,997,856**	1,291,483
Loan receivables	*10*	**74,343,270**	82,568,098
Prepayment	*11*	**4,007,482**	–
Deferred tax assets		**310,834**	336,220
		80,659,442	84,195,801
Current assets			
Repossessed assets		**7,501,907**	7,929,540
Loan receivables	*10*	**547,327,566**	406,794,286
Trade and other receivables	*11*	**17,424,752**	17,274,049
Cash and cash equivalents	*12*	**12,774,074**	11,710,662
		585,028,299	443,708,537
Current liabilities			
Accruals and other payables	*14*	**5,416,204**	4,984,014
Bank loans and overdrafts	*13*	**103,326,679**	112,995,925
Obligations under finance leases		**179,309**	173,548
Loans from ultimate holding company	*15*	**76,900,000**	80,500,000
Current taxation		**9,854,144**	4,811,256
		195,676,336	203,464,743
Net current assets		**389,351,963**	240,243,794
Total assets less current liabilities		**470,011,405**	324,439,595
Non-current liabilities			
Debt securities issued	*16*	**49,753,648**	–
Obligations under finance leases		**836,376**	14,836
		50,590,024	14,836
NET ASSETS		**419,421,381**	324,424,759
CAPITAL AND RESERVES	*17*		
Capital		**4,500,000**	4,000,000
Reserves		**414,921,381**	320,424,759
TOTAL EQUITY		**419,421,381**	324,424,759

Consolidated statement of changes in equity

for the six months ended 31 August 2014 — unaudited

(Expressed in Hong Kong dollars)

	Note	Paid-in capital/ share capital	Share premium	Capital reserve	Other reserve	Retained profits	Total
		$	*$*	*$*	*$*	*$*	*$*
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	*17(c)*	2,900,000	(2,900,000)	–	–	–	–
Share issue under placing and public offering, net of issuing expenses	*17(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
At 1 September 2013		4,000,000	85,625,004	44,962,406	12,001,100	151,861,938	298,450,448
Change in equity for the six months ended 28 February 2014							
Profit and total comprehensive income		–	–	–	–	25,974,311	25,974,311
At 28 February 2014		4,000,000	85,625,004	44,962,406	12,001,100	177,836,249	324,424,759
At 1 March 2014		**4,000,000**	**85,625,004**	**44,962,406**	**12,001,100**	**177,836,249**	**324,424,759**
Change in equity for the six months ended 31 August 2014							
Profit and total comprehensive income		**–**	**–**	**–**	**–**	**36,821,622**	**36,821,622**
Share issue under placing, net of issuing expenses	*17(e)*	**500,000**	**69,825,000**	**–**	**–**	**–**	**70,325,000**
Dividends approved in respect of the previous year	*17(b)(ii)*	**–**	**(12,150,000)**	**–**	**–**	**–**	**(12,150,000)**
At 31 August 2014		**4,500,000**	**143,300,004**	**44,962,406**	**12,001,100**	**214,657,871**	**419,421,381**

Condensed consolidated cash flow statement
for the six months ended 31 August 2014 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 August **2014** $	2013 $
Operating activities			
Operating profit before changes in working capital		**48,890,650**	19,886,604
Increase in loan receivables		**(132,107,070)**	(109,389,462)
Other cash flows used in operations		**(3,298,362)**	(323,713)
Cash used in operations		**(86,514,782)**	(89,826,571)
Hong Kong Profits Tax paid		**(2,213,650)**	(5,715,228)
Net cash used in operating activities		**(88,728,432)**	(95,541,799)
Net cash (used in)/generated from investing activities		**(168,370)**	408,473
Financing activities			
Proceeds from share issued under placing, net of issuing expenses		**70,325,000**	–
Proceeds from share issued under placing and public offering, net of issuing expenses		**–**	89,525,004
Proceeds from debt securities issued		**49,750,000**	–
Dividend paid		**(12,150,000)**	–
(Repayments)/proceeds from bank loans		**(8,021,646)**	7,662,000
Other cash flows used in financing activities		**(8,295,540)**	(1,408,761)
Net cash generated from financing activities		**91,607,814**	95,778,243
Net increase in cash and cash equivalents		**2,711,012**	644,917
Cash and cash equivalents at the beginning of period		**5,299,317**	14,024,932
Cash and cash equivalents at the end of period	*12*	**8,010,329**	14,669,849

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 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.

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 23 October 2014.

The interim financial report has been prepared in accordance with same accounting policies adopted in the year ended 28 February 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the year ending 28 February 2015 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 year ended 28 February 2014 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 Hong Kong Financial Reporting Standards ("**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 2014 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 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 May 2014.

3 CHANGES IN ACCOUNTING POLICIES

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

– Amendments to HKAS 32 – *Offsetting financial assets and financial liabilities*

The above development has had no material impact on the Group's financial statements as it was 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 mortgage loans and gain on disposal of repossessed assets. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 31 August	
	2014	2013
	$	*$*
Interest earned on loan receivables		
– Pawn loans	**28,743,677**	28,127,014
– Mortgage loans	**37,773,756**	13,014,729
	66,517,433	41,141,743
Gain on disposal of repossessed assets	**2,306,974**	868,524
	68,824,407	42,010,267

Cost of repossessed assets disposed for the six months ended 31 August 2014 amounted to $28 million (six months ended 31 August 2013: $29 million).

The Group's customer base is diversified and includes only one customer (six months ended 31 August 2013: Nil) with whom transactions have exceeded 10% of the Group's turnover. During the period ended 31 August 2014, turnover from interest earned on mortgages receivables from this customer, including interest earned from entities which are known to the Group to be under common control with this customer, amounted to approximately $7.9 million (six months ended 31 August 2013: Nil).

5 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.

6 OTHER REVENUE AND OTHER NET LOSS

	Six months ended 31 August	
	2014	2013
	$	*$*
Other revenue		
Rental income	**575,100**	365,100
Interest earned on unsecured loans	**307,963**	30,161
Credit related fee income	**2,518,857**	1,001,939
Bank interest income	**306**	495,760
Others	**665,014**	311,785
	4,067,240	2,204,745
Other net loss		
Net loss on disposal of fixed assets	**(76,011)**	–

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 31 August	
	2014	2013
	$	*$*
(a) Finance costs		
Finance charges on obligations under finance leases	**8,202**	7,602
Interest on loans from ultimate holding company wholly repayable within one year	**1,555,338**	–
Interest on bank loans and overdrafts wholly repayable within one year	**2,682,449**	1,319,384
Interest on debt securities issued	**378,648**	–
	4,624,637	1,326,986
(b) Other items		
Depreciation	**288,144**	262,483
Release of impairment losses on loan receivables	**(201,382)**	(4,385)
Staff costs	**11,730,542**	9,028,434
Premises and equipment expenses excluding depreciation	**5,081,135**	4,084,507
Advertising expenses	**2,719,640**	2,661,547
Listing expenses	**–**	4,854,197
Auditor's remuneration	**440,000**	440,000
Legal and professional fees	**1,194,173**	744,953
Others	**2,835,201**	2,019,009
	24,087,453	24,090,745

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 31 August	
	2014	2013
	$	*$*
Current tax – Hong Kong Profits Tax	**7,256,538**	3,738,869
Deferred taxation	**25,386**	(43,373)
	7,281,924	3,695,496

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% (six months ended 31 August 2013: 16.5%) to the estimated assessable profits for the six months ended 31 August 2014, 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 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 of $36,821,622 (six months ended 31 August 2013: $15,101,785) and the weighted average of 448,913,000 ordinary shares (six months ended 31 August 2013: 394,022,000 shares) in issue during the interim period.

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

10 LOAN RECEIVABLES

	31 August	28 February
	2014	2014
	$	*$*
Pawn loans	**125,778,740**	124,360,450
Mortgage loans	**493,525,590**	365,022,242
Unsecured loans	**2,774,745**	589,313
Gross loan receivables	**622,079,075**	489,972,005
Less: Impairment allowance *(note 10(a))*		
– Individually assessed	**(64,875)**	(55,360)
– Collectively assessed	**(343,364)**	(554,261)
	(408,239)	(609,621)
	621,670,836	489,362,384
Current portion included under current assets	**(547,327,566)**	(406,794,286)
Amounts due after one year included under non-current assets	**74,343,270**	82,568,098

(a) Movement in impairment losses

	Six months ended 31 August					
	2014			2013		
	Individual	**Collective**	**Total**	Individual	Collective	Total
	$	*$*	*$*	*$*	*$*	*$*
At 1 March	**55,360**	**554,261**	**609,621**	59,858	184,481	244,339
Impairment losses charged for/(release of) for profit or loss	**9,515**	**(210,897)**	**(201,382)**	(8,365)	3,980	(4,385)
At 31 August	**64,875**	**343,364**	**408,239**	51,493	188,461	239,954

(b) Ageing analysis

Ageing analysis is prepared based on contractual due date.

	Pawn loans	**Mortgage loans**	**Unsecured loans**	**Total**
	$	*$*	*$*	*$*
31 August 2014				
Neither past due nor impaired	**122,376,940**	**474,475,028**	**2,774,745**	**599,626,713**
Less than 1 month past due	**2,713,950**	**11,730,000**	**–**	**14,443,950**
1 to 3 months past due	**687,850**	**770,562**	**–**	**1,458,412**
3 to 6 months past due	**–**	**6,550,000**	**–**	**6,550,000**
	125,778,740	**493,525,590**	**2,774,745**	**622,079,075**
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

As at 31 August 2014, in respect of the mortgage loans of $7.3 million which have been past due one month or more, the related interest receivables are approximately $0.4 million. Such amounts of interest receivables are included under trade and other receivables (see note 11). Of these mortgage loans which have been past due for one month or more, the respective valuations of the collaterals can fully cover the outstanding balances of these loans. In respect of the mortgage loans which have been past due for less than 1 month, the amounts mainly represent occasional delay in repayment and are not indication of significant deterioration of credit quality of these mortgage loans. As such, no individual impairment allowances were made in respect of the mortgage loans which have been past due as at 31 August 2014.

11 TRADE AND OTHER RECEIVABLES

	31 August 2014	28 February 2014
	$	*$*
Trade receivables	**–**	1,195,600
Interest receivables	**14,243,532**	13,007,166
Deposits and payments in advance	**7,087,202**	2,749,551
Other assets	**101,500**	321,732
	21,432,234	17,274,049
Current portion included under current assets	**(17,424,752)**	(17,274,049)
Amounts due after one year included under non-current assets	**4,007,482**	–

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, except for prepayment amounting to $4.0 million that is expected to be recovered over 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 2014	28 February 2014
	$	*$*
Neither past due nor impaired	**–**	1,195,600

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 August 2014	28 February 2014
	$	*$*
Cash in hand	**5,914,543**	5,101,554
Cash at banks	**6,859,531**	6,609,108
Cash and cash equivalents in the statements of financial position	**12,774,074**	11,710,662
Bank overdrafts *(note 13)*	**(4,763,745)**	(6,411,345)
Cash and cash equivalents in the consolidated cash flow statements	**8,010,329**	5,299,317

13 BANK LOANS AND OVERDRAFTS

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

	31 August 2014	28 February 2014
	$	*$*
Unsecured bank overdrafts *(note 13(a))*	**4,763,745**	6,411,345
Bank loans, secured *(note 13(b))*	**90,825,000**	90,617,000
Bank loans, unsecured *(note 13(c))*	**7,737,934**	15,967,580
	98,562,934	106,584,580
Total bank loans and overdrafts – repayable within 1 year or on demand	**103,326,679**	112,995,925

(a) At 31 August 2014, unsecured bank overdraft facilities of $28,500,000 (28 February 2014: $28,500,000) were provided to the subsidiaries and utilised to the extent of $4,763,745 (28 February 2014: $6,411,345).

(b) At 31 August 2014, uncommitted secured revolving bank loan facilities of the lower of $100 million (28 February 2014: $100 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 were obtained. The tenor for the facilities ranged from one month, two months, three months or six months as selected by the subsidiary. As at 31 August 2014, the available uncommitted banking facilities after taking into consideration of the drawdown was approximately Nil (28 February 2014: $4.1 million) which was secured by loan receivables of the Group with a carrying value of approximately $111.2 million (28 February 2014: $131.9 million).

(c) At 31 August 2014, unsecured bank loan facilities of $7,737,934 (28 February 2014: $15,967,580) were provided to a subsidiary and utilised to the extent of $7,737,934 (28 February 2014: $15,967,580).

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

14 ACCRUALS AND OTHER PAYABLES

	31 August 2014	28 February 2014
	$	*$*
Accrued interest expenses	**656,989**	934,036
Accrued expenses	**2,642,219**	1,855,990
Provision for long services payment	**682,512**	730,946
Other payable and deposit received	**1,434,484**	1,463,042
	5,416,204	4,984,014

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 LOANS FROM ULTIMATE HOLDING COMPANY

The loans from ultimate holding company are unsecured, interest bearing at Prime Rate less 0.25% (currently 5%) per annum and repayable within one year.

16 DEBT SECURITIES ISSUED

The debt securities are unsecured, denominated in HKD, interest bearing at 6% per annum with interest coupon being paid semi-annually and will be matured at 2021. All debts securities issued are measured at amortised cost.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Share Capital

	Note	*Par value* *$*	*No of shares*	*$*
Authorised:				
At 28 February/31 August 2013 and 28 February/31 August 2014		0.01	100,000,000,000	1,000,000,000
Issued and fully paid:				
At 1 March 2013		0.01	10,000,000	100,000
Capitalisation issue	17(c)	0.01	290,000,000	2,900,000
Issue of shares under placing and public offering	17(d)	0.01	100,000,000	1,000,000
At 31 August 2013 and 28 February 2014		0.01	400,000,000	4,000,000
At 1 March 2014			400,000,000	4,000,000
Issue of shares under placing	17(e)	0.01	50,000,000	500,000
At 31 August 2014			450,000,000	4,500,000

(b) Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the six months ended 31 August 2014:

	Six months ended 31 August	
	2014	2013
	$	*$*
Interim dividend declared after the interim period of $2.4 cents per ordinary share (six months ended 31 August 2013: Nil)	**10,800,000**	–

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 31 August	
	2014	2013
	$	*$*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 2.7 cents per ordinary share (six months ended 31 August 2013: Nil)	**12,150,000**	–

(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.

(e) Issue of shares under placing

On 5 March 2014, the Company issued 50,000,000 shares with par value of $0.01 each, at a price of $1.45 per share by way of a placing. Net proceeds from the issue amounted to $70,325,000 (after offsetting expenses directly attributable to the issue of shares of $2,175,000), out of which $500,000 and $69,825,000 were recorded in share capital and share premium respectively.

18 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 2014	28 February 2014
	$	*$*
Within one year	**10,604,936**	8,075,936
After one year but within five years	**13,956,403**	11,069,511
Over five years	**412,460**	1,063,820
	24,973,799	20,209,267

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 6 years. Lease payments are usually increased at the end of the lease term to reflect market rentals. None of the leases includes contingent rentals.

19 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	
	2014	2013
	$	*$*
Salary and other emoluments	**2,248,242**	2,053,043
Discretionary bonuses	**2,050,000**	–
Contributions to Mandatory Provident Fund	**56,100**	44,878
Others	**19,000**	19,000
	4,373,342	2,116,921

(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	
	2014	2013
	$	*$*
Rental expense paid to		
– Kwan Chart (Holding) Company Ltd.	**350,667**	200,000
– Kwan Chart Estate Company Ltd.	**259,742**	234,000
– Mr. Chan Chart Man	**350,667**	240,000

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 guarantees provided to landlord in respect of the Group's rental of premises

	31 August 2014	28 February 2014
	$	*$*
Mr. Chan Kai Ho Edward	**2,503,500**	3,339,500

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.

20 SUBSEQUENT EVENTS

The following significant event took place subsequent to 31 August 2014:

(a) Obtaining an uncommitted secured revolving bank loan facility from a bank

On 11 September 2014, a subsidiary of the Company obtained an uncommitted secured revolving bank loan facility from a bank. The limit of the facility is the lower of $80 million or a certain percentage of the aggregate principal amount of the mortgage loan receivables of another subsidiary of the Company, which are then sub-charged/sub-mortgaged to the bank. The tenor of the facility ranged from one month, two months, three months or six months as selected by the subsidiary.

(b) Renewal of the revolving loan facility amounted to $100,000,000 from the ultimate holding company

On 12 September 2014, Oi Wah HK renewed the revolving loan facility with the ultimate holding company amounted to $100,000,000. The loan is unsecured, interest bearing at Prime Rate less 0.25% (currently 5%) per annum and the facility will expire on 11 September 2015.

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**") is a financing service provider in Hong Kong operating under the brand name of "Oi Wah", principally engages in providing secured financing, including pawn loans and mortgage loans.

Pawn Loan Business

For the six months ended 31 August 2014 ("**FP2015**"), the pawn loan business remained one of the major sources of income for the Group. The interest income from the pawn loan business maintained stable with total loan amount granted of approximately HK$286.4 million. During the reporting period, the number of pawn loan transactions with large loan amount recorded a steady growth, with an average loan amount increased to approximately HK$4,900 per transaction (six months ended 31 August 2013 ("**FP2014**"): approximately HK$3,900 per transaction). As a result of the advertising effect, the demand for one-to-one pawn loan appointment services for pawn loans that exceed HK$0.1 million has increased and the number of pawn loan transactions with such amount granted increased from 92 transactions in FP2014 to 145 transactions in FP2015, representing an increase of 53 pawn loan transactions.

Mortgage Loan Business

The mortgage loan business has continued to show a rapid growth within the reporting period due to the Group's continued expansion of loan portfolio. During the reporting period, the turnover contribution from our mortgage loan business has exceeded that from our pawn loan business. During the reporting period, the aggregated loan amount increased significantly from approximately HK$196.2 million in FP2014 to approximately HK$337.2 million in FP2015. The interest income rose significantly from approximately HK$13.0 million in FP2014 to HK$37.8 million in FP2015, representing an increase of 190.8%. Besides, there were 113 new cases of loan transactions, and there was no bad debt recorded. Nevertheless, the Group's credit management remains cautious and prudent.

INDUSTRY OVERVIEW

Our board of directors (the "**Board**" or "**our Board**") is optimistic and positive about the pawn loan business. As evident by the stable number of transactions, our Board expected that market demand for pawn loan business will remain stable and there will be a healthy organic growth of loan amount.

The mortgage loan industry has become conservative as credit tightening policies are imposed on the authorised institutions by the government. Our Group believes that, in order to increase our market share in the industry, it is a good chance to capture the high net worth clients who cannot obtain loans from authorised institutions.

In the meantime, the government has been restricting its policy on credit card loans and required local banks to assess the applicants' debt servicing ratio before granting loans. This lengthened the approval time and procedures of loan applications and limited flexibility. Our flexibility in providing loans can cater to customers with short-term financing needs, which may in turn create business opportunities for our pawn loan business and mortgage loan business.

FINANCIAL REVIEW

Turnover

Our Group's turnover increased from approximately HK$42.0 million in FP2014 to approximately HK$68.8 million in FP2015, representing an increase of approximately HK$26.8 million or 63.8%. The increase was attributable to the increase in our interest income earned on our loan receivables by approximately HK$25.4 million or 61.8% from approximately HK$41.1 million in FP2014 to approximately HK$66.5 million in FP2015 and an increase in gain on disposal of repossessed assets by approximately HK$1.4 million or 155.6% from approximately HK$0.9 million in FP2014 to approximately HK$2.3 million in FP2015.

The increase in our interest income earned on our loan receivables in FP2015 was attributable to a significant increase in our interest income earned on our mortgage loan business and a slight increase in our interest income earned on our pawn loan business.

Interest income earned on our mortgage loan business increased significantly from approximately HK$13.0 million in FP2014 to approximately HK$37.8 million in FP2015, representing an increase of approximately HK$24.8 million or 190.8%. The increase was mainly due to the continuous expansion of our mortgage loan portfolio in FP2015. The number of new mortgage loans granted increased from 99 transactions in FP2014 to 113 transactions in FP2015 and the total amount of new mortgage loans granted increased significantly from approximately HK$196.2 million in FP2014 to approximately HK$337.2 million in FP2015.

Interest income earned on our pawn loan business slightly increased from approximately HK$28.1 million in FP2014 to approximately HK$28.7 million in FP2015, representing an increase of approximately HK$0.6 million or 2.1%. The increase was primarily attributable to our increase in the (i) aggregated amount of pawn loans granted which increased from approximately HK$254.1 million in FP2014 to approximately HK$286.4 million in FP2015; and (ii) average amount of pawn loans granted increased from approximately HK$3,900 per transaction in FP2014 to approximately HK$4,900 per transaction in FP2015.

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 increase in our gain on disposal of repossessed assets in FP2015 was mainly due to the fact that gold price remained stable at approximately US$1,300 per ounce in FP2015 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 turnover was affected by the gold depreciation in FP2014 and thus recorded a poor result on gain on disposal of repossessed assets in FP2014. Since there was no material fluctuation in gold price in FP2015, the Group was not affected by the depreciation effect in FP2014 and thus an increase in gain was recorded.

Other revenue

Other revenue increased from approximately HK$2.2 million in FP2014 to approximately HK$4.1 million in FP2015, representing an increase of approximately HK$1.9 million or 86.4%, which was mainly due to the increase in our credit-related fee income by approximately HK$1.5 million representing early repayment fees and handling charges from our mortgage loan customers.

Operating expenses

Operating expenses slightly increased by approximately HK$0.2 million or 0.8% from approximately HK$24.1 million in FP2014 to approximately HK$24.3 million in FP2015.

Staff costs increased by approximately HK$2.7 million or 30.0% from approximately HK$9.0 million in FP2014 to approximately HK$11.7 million in FP2015. The increase was mainly attributable to the increase in the remuneration of directors of the Company (the "**Directors**") of approximately HK$2.2 million.

With regard to the successful listing of our Company (the "**Listing**"), a non-recurring listing expenses of approximately HK$4.9 million was recognised during FP2014. No such expense was incurred in FP2015.

Excluding the staff costs and listing expenses of approximately HK$13.9 million and HK$11.7 million in FP2014 and FP2015 respectively as mentioned above, other operating expenses increased by approximately HK$2.4 million or 23.5% from approximately HK$10.2 million in FP2014 to approximately HK$12.6 million in FP2015, which was mainly due to the increase in rental expenses, professional fees and commission by approximately HK$1.0 million, HK$0.4 million and HK$0.5 million respectively.

Finance costs

The finance costs increased significantly by approximately HK$3.3 million or 253.8% from approximately HK$1.3 million in FP2014 to approximately HK$4.6 million in FP2015. The increase was mostly due to (i) the increase in the amount of loans from ultimate holding company, bank loans and overdrafts in FP2015 for funding our expansion of pawn loan and mortgage loan portfolios; and (ii) debt securities issued for funding our expansion of mortgage loan portfolios.

Credited to impairment losses on loan receivables

The impairment losses on loan receivables released to profit or loss in FP2015 of approximately HK$201,000 was attributable to the net effect of (i) the subsequent reassessment on the recoverability of previously impaired loan receivables that were individually assessed being charged to profit or loss of approximately HK$10,000; and (ii) the impairment losses on loan receivables that were collectively assessed being released to profit or loss of approximately HK$211,000. In FP2014, the impairment losses on loan receivables released to profit or loss 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 released 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.

Income tax expenses

Our Group's effective tax rate for FP2015 was approximately 16.5% as compared to approximately 19.7% for FP2014. The effective tax rate for FP2014 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.

Profit and total comprehensive income for the period

Our Group's profit for FP2015 increased to approximately HK$36.8 million from approximately HK$15.1 million in FP2014, representing an increase of approximately HK$21.7 million or 143.8%. If the non-recurring listing expenses of approximately HK$4.9 million in FP2014 was excluded, the profit for FP2015 would have increased by approximately HK$16.8 million or 111.3% as compared to that in FP2014.

The increase was mainly attributable to the increase in turnover amounted to approximately HK$26.8 million, netting off with the increase in expenses in staff costs, rental expenses, finance costs and professional fees amounted to HK$2.7 million, HK$1.0 million, HK$3.3 million and HK$0.3 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2014, cash and cash equivalents, after netting off with the bank overdraft, amounted to approximately HK$8.0 million, representing a net increase of approximately HK$2.7 million as compared to the position as at 28 February 2014.

For FP2015, net cash outflow from operating activities of our Group amounted to approximately HK$88.7 million. It is mainly due to the increase in loan receivables amounted to approximately HK$132.1 million during FP2015. The net cash inflow from financing activities of our Group amounted to approximately HK$91.6 million for FP2015 which was mainly due to the net proceeds from the placing of the shares of our Company and the issue of debt securities which amounted to approximately HK$70.3 million and HK$49.8 million respectively, offset by the dividend paid during FP2015 amounted to approximately HK$12.2 million.

KEY FINANCIAL RATIOS

	As at 31 August 2014	As at 28 February 2014
Current ratio [(1)]	**3x**	2x
Gearing ratio [(2)]	**55.1%**	59.7%

	For the six months ended 31 August 2014	For the six months ended 31 August 2013
Return on total assets [(3)]	**5.5%**	4.0%
Return on equity [(4)]	**8.8%**	5.1%
Net interest margin [(5)]	**22.8%**	26.3%
– pawn loan services	**43.8%**	43.5%
– mortgage loan services	**16.1%**	13.5%

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, bank overdrafts, loans from ultimate holding company, obligations under finance leases and debt securities issued) 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 2 times as at 28 February 2014 to approximately 3 times as at 31 August 2014, which was mainly due to the increase in current loan receivables from approximately HK$406.8 million as at 28 February 2014 to approximately HK$547.3 million as at 31 August 2014 or by approximately 34.5%.

Gearing ratio

Our Group's gearing ratio slightly decreased from approximately 59.7% as at 28 February 2014 to approximately 55.1% as at 31 August 2014, which was mainly due to the increase in equity due to the net proceeds from the placing of shares of the Company amounted to approximately HK$70.3 million and the decrease in bank loans and overdrafts amounted to approximately HK$9.7 million, offset with the increase in debt securities issued amounted to HK$49.8 million.

Return on total assets and return on equity

Our return on total assets and return on equity increased from approximately 4.0% and 5.1% respectively in FP2014 to approximately 5.5% and 8.8% respectively in FP2015. The reason for the increase was mainly due to the effect of increase in turnover amounted to approximately HK$26.8 million during FP2015.

Net interest margin

The net interest margin decreased from approximately 26.3% in FP2014 to approximately 22.8% in FP2015 since a greater proportion of our interest income was earned on mortgage loan business in FP2015, from which we generally charged comparatively lower interest rate than that charged for our pawn loans. For FP2014 and FP2015, interest earned on mortgage loan business contributed approximately 31.6% and 56.8% to our total interest income, respectively, resulted from the expansion of our mortgage loan business during FP2015.

PROSPECTS

Looking forward, our Group will continue to actively expand our business. In regards of our pawn loan business, we will enhance our advertising effort of our hotline and one-on-one pawn loan service by appointment, which usually involves transactions of larger loan amounts.

Mortgage loan business will remain the driving force for growth, and the Group will channel more resources to develop this business. The Group will position itself to capture the high-end secured loan market and target on high net worth customer. We will also continuously engage in co-lender loan business with the aim of diversifying the risk.

USE OF PROCEEDS OF THE LISTING

The net proceeds from the initial public offering of the shares of the Company ("**IPO**") was approximately HK$89.5 million after deducting underwriting commissions and related expenses. As at 31 August 2014, the utilised net proceeds from the IPO amounted to approximately HK$85.1 million.

The following table sets forth a breakdown of the use of net proceeds from the IPO as at the dates shown:

Net proceeds from the IPO (HK$)

Use of net proceeds	**Available to utilise**	**Utilised as at 31 August 2014**	**Unutilised as at 31 August 2014**
Use on mortgage loan business			
– expand mortgage loan portfolio	**51,029,252**	**51,029,252**	**–**
– revamp Company website	**1,790,500**	**21,000**	**1,769,500**
– recruit personnel with mortgage loan business experience	**895,250**	**895,250**	**–**
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**
Use on 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**	**85,069,754**	**4,455,250**

HUMAN RESOURCES

As at 31 August 2014, our Group had a total of 52 staff (28 February 2014: 55). Total staff costs (including Directors' emoluments) were approximately HK$11.7 million for FP2015 (FP2014: approximately HK$9.0 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of an 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 FP2015. 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 FP2015.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group had not engaged in any material acquisitions or disposals for FP2015.

ADVANCE TO ENTITY

As disclosed in the announcements of our Company dated 6 August 2014, 11 August 2014 and 21 August 2014 (the "**Announcements**"), Oi Wah Pawnshop Credit Limited ("**Oi Wah HK**"), being an indirectly wholly-owned subsidiary of our Company, as lender entered into loan agreements (the "**Loan Agreements**") with three customers which are associated with or connected to each other (the "**Customers**") as borrowers on 6 August 2014, 11 August 2014 and 21 August 2014 respectively. Pursuant to the Loan Agreements, Oi Wah HK had agreed to grant mortgage loans in the aggregate amount of HK$114.0 million (the "**Loans**") to the Customers for a term of one month. Out of the three Customers, two of them are companies incorporated in Hong Kong and principally engaged in the business of property investment. The remaining customer is a merchant who carries on business in Hong Kong. The Customers are our repeated customers with no default record in our Group. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Customers is an independent third party and not connected with our Group. Set out below are the principal terms of Loan Agreements:

Loans amount:

HK$114.0 million representing approximately 17.1% of the total assets of our Group of approximately HK$665.7 million, approximately 27.2% of the net assets of our Group of approximately HK$419.4 million and approximately 23.1% of the total mortgage loan portfolio of our Group of approximately HK$493.5 million as at 31 August 2014 (all based on the unaudited consolidated financial statements of our Group for FP2015).

Interests:

Interest rate on the amount of the Loans are 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 Agreements, subject to fluctuation.

Terms of the Loans:

One month from the drawdown date of the Loan Agreements dated 6 August 2014, 11 August 2014 and 21 August 2014 respectively.

Security:

A second legal charge/mortgage in respect of commercial properties located in prime sites in Hong Kong with valuation conducted by independent property valuers in August 2014 with an aggregate amount of approximately HK$758.5 million.

Repayment:

The Customers 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$2.28 million in total (subject to the terms of the Loan Agreements).

Other terms of the Loan Agreements:

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

Credit risk:

The making of the Loans are collateralised. The collaterals provided by the Customers for the Loans are sufficient as the aggregate loan-to-value ratio of the mortgaged properties are approximately 47% (loan-to-value ratio of first mortgage: 32%, loan-to-value ratio of the Loans as a subordinated mortgage to our Group: 15%) based on the value of the mortgaged properties determined by an independent valuer.

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

For further details, please refer to the Announcements.

CORPORATE GOVERNANCE PRACTICES

For the six months ended 31 August 2014, our Company has complied with the code provisions 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 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, 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 of the Company 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 has 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 2014.

REVIEW OF INTERIM RESULTS

The audit committee together with the management of our Company have reviewed our Group's unaudited interim consolidated financial statements for the six months ended 31 August 2014. 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.

INTERIM DIVIDEND

On 23 October 2014, our Board declared an interim dividend of HK2.4 cents per ordinary share, representing approximately 29.3% of the profit attributable to the shareholders of our Company for the FP2015. The aforesaid interim dividend will be paid on 23 December 2014 to the shareholders of our Company whose names appear on the register of members of our Company at the close of business on 2 December 2014.

CLOSURE OF REGISTER OF MEMBERS

In order to establish the identity of the shareholders of our Company who are entitled to the interim 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 28 November 2014. The register of members of our Company will be closed from 29 November 2014 to 2 December 2014, both days inclusive, during which period no transfer of shares will be registered.

PUBLICATION

The interim results announcement of our Company for the six months ended 31 August 2014 is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.pawnshop.com.hk) respectively. The 2014 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, 23 October 2014

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.