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## SUMMARY

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*This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a financing service provider in Hong Kong operating under the brand name of “Oi Wah” mainly providing short-term secured financing, including pawn loans and mortgage loans.

According to the Ipsos Report, we are the largest pawn loan service provider in Hong Kong in 2011 in terms of loan amount granted and number of Pawnshops.

The aggregate amount of pawn loans granted by us amounted to approximately 9.4% of the total value of loans and advances granted by all pawn loan service operators in Hong Kong in 2011. We had 12 Pawnshops as at the Latest Practicable Date located in various locations in Hong Kong. We have also set up a Customer Service Centre in the premises of Tak Wah Pawnshop located in Central to provide customers with private and personalised pawn loan services and customer service support. We are one of the few financing service providers in Hong Kong having both the Pawnbrokers Licences and the Money Lenders Licence which provide us with the flexibility in granting pawn loans with different interest rates, loan amounts and terms to suit the different needs of our customers, and enable us to grant mortgage loans. We provide private and personalised one-on-one mortgage loan services to our customers at our Mortgage Centre in Wan Chai.

Our Group was established and controlled by the Chan Family. Mr. Edward Chan is our chairman, executive Director and chief executive officer. Mr. Chan Chart Man is the founder of our Group and an executive Director. Ms. Chan Mei Fong and Ms. Chan Ying Yu are both executive Directors. Mr. Mackston Chan, also a family member of the Chan Family, is a non-executive Director. Other members of the Chan Family, namely, Ms. Chan Nga Yu, Ms. Chan Kit Yu and Ms. Mui, do not have management positions in our Group.

### OUR PRINCIPAL BUSINESS ACTIVITIES

#### Pawn loan services

Pawn loans are loans provided whereby personal properties such as gold, jewellery and diamonds, watches and consumer electronic products are used as collaterals for the security of the loans.

The following table sets out the major terms of the pawn loans granted under our Pawnbrokers Licences and Money Lenders Licence, respectively:

	Pawn loans granted under	
	Pawnbrokers Licences	Money Lenders Licence
Loan amount	Not exceeding HK\$100,000	No restriction
Interest rate	Not exceeding 3.5% per lunar month	Not exceeding 3.5% per lunar month
Term	Four lunar months	Mutually agreed term of one to four lunar months
Documentation	Tickets	Loan agreements

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During the term of the pawn loan, customers may redeem their collaterals at any time and may also renew their term of the pawn loan after paying the outstanding interest for the previous term. Upon the expiry of the term of the pawn loans, we may sell the collaterals not having been redeemed. For details of our pawn loan services, please refer to the section headed “Business — Our principal business activities — Pawn loan services” in this prospectus.

### **Mortgage loan services**

We offer both first mortgage loans, which are secured by the first mortgage on the real estate, and subordinated mortgage loans, which are secured by mortgages subordinated to the first or higher ranking mortgages charged on the mortgaged real estate. The mortgaged real estates accepted by us include residential real estates such as apartments, village houses and commercial real estates such as parking lots and offices. We have granted 99 new mortgage loans during the Track Record Period.

We generally complete the granting of a mortgage loan to our customers from collecting preliminary information from our customers to the loan drawdown within days. For details of our mortgage loan services, please refer to the section headed “Business — Our principal business activities — Mortgage loan services” in this prospectus.

## **CUSTOMERS**

### **Pawn loan services**

Customers of our pawn loan services consist of walk-in individuals such as local households, foreign domestic helpers, travellers from the PRC and SME businessmen. For each of the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2012, we had approximately 45,000, 43,000, 41,000 and 39,000 customers, respectively, of our pawn loan services being individuals, of which approximately 27,000, 27,000, 26,000 and 24,000, respectively, were repeated customers. We also have second-hand product dealers as our customers for the disposal of collaterals which mainly include gold, jewellery and diamonds, watches and consumer electronic products. For each of the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2012, we have 17, 20, 20 and 32 second-hand product dealers purchasing collaterals from us, respectively. As at the Latest Practicable Date, all of these second-hand product dealers were Independent Third Parties and we had not entered into any long term sales agreement with any of such second-hand product dealers.

### **Mortgage loan services**

Our customers in connection with our mortgage loan services include mostly individual borrowers who are referred by third parties or are walk-in customers. During the Track Record Period, we had an aggregate of 80 customers of our mortgage loan services, 36 of whom were repeated customers.

For each of the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2012, our five largest customers who are second-hand product dealers or customers of our pawn loan or mortgage loan business, all being Independent Third Parties, accounted for approximately 8.3%, 13.0%, 14.8% and 12.1%, respectively, of our total turnover, while the largest customer, who are second-hand product dealers, accounted for approximately 4.1%, 7.1%, 7.8% and 6.5%, respectively, of our total turnover for the same period.

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### LICENCES

We have obtained a Pawnbrokers Licence for each of our 12 Pawnshops and Oi Wah HK currently holds a Money Lenders Licence. Pang & Co, legal advisers of our Company as to Hong Kong law, and our Legal Counsel are satisfied that there should not be any legal impediment for the renewal of our Pawnbrokers Licences and Money Lenders Licence respectively. For details of our licences, please refer to the section headed “Business — Licences” in this prospectus.

### OUR COMPETITIVE STRENGTHS

- We have a well established position in the market
- Our business model enables us to provide quick and convenient diversified financing services catered for different types of customers with different needs
- We adopt standardised and computerised operating and risk management systems
- We have well established relationships with a network of second-hand product dealers
- We have an experienced senior management team

### OUR BUSINESS STRATEGIES

Our primary business objective is to strengthen our market position in the pawn loan industry and to further develop our mortgage loan business in Hong Kong. We intend to achieve our objective by implementing the following strategies:

- Expand our business operations by strengthening our mortgage loan business
- Expand our pawn loan portfolio and enhance the services we provide to our pawn loan services customers
- Increase and enhance our marketing activities

### SUMMARY OF FINANCIAL INFORMATION

The tables below summarise our combined financial information for each of the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2012, respectively, and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

#### Highlight of combined statements of comprehensive income

	Year ended 28 February 2010 HK\$	Year ended 28 February 2011 HK\$	Year ended 29 February 2012 HK\$	Nine months ended 30 November 2011 HK\$ <i>(unaudited)</i>	Nine months ended 30 November 2012 HK\$
Turnover	46,659,418	54,692,308	66,360,621	49,483,636	52,602,748
Operating income	47,887,206	55,999,677	67,323,949	50,172,278	53,982,843
Profits from operations	24,308,648	28,313,517	40,120,485	29,605,980	24,728,364
Profit and total comprehensive income for the year/period	20,221,472	23,583,874	33,376,055	24,682,624	19,269,572

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### Highlight of combined statements of financial position

	As at 28 February 2010 HK\$	As at 28 February 2011 HK\$	As at 29 February 2012 HK\$	As at 30 November 2012 HK\$
Non-current assets	2,812,571	2,569,562	8,221,515	25,375,550
Current assets	125,104,633	150,706,996	178,179,877	202,682,146
Current liabilities	6,997,833	6,728,225	9,145,221	37,439,906
Net current assets	118,106,800	143,978,771	169,034,656	165,242,240
Non-current liabilities	40,935,088	43,980,176	42,311,959	45,193,906
Net assets	79,984,283	102,568,157	134,944,212	145,423,884

### Our turnover

	Year ended 28 February 2010		Year ended 28 February 2011		Year ended 29 February 2012		Nine months ended 30 November 2011		Nine months ended 30 November 2012	
	HK\$ ('000)	%	HK\$ ('000)	%	HK\$ ('000)	%	HK\$ ('000)	%	HK\$ ('000)	%
Interest income on pawn loans	40,356	86.5	45,271	82.8	52,351	78.9	39,267	79.4	42,853	81.5
Interest income on mortgage loans	157	0.3	823	1.5	3,192	4.8	2,048	4.1	4,803	9.1
Gain on disposal of repossessed assets	40,513	86.8	46,094	84.3	55,543	83.7	41,315	83.5	47,656	90.6
	6,146	13.2	8,598	15.7	10,818	16.3	8,169	16.5	4,947	9.4
	<u>46,659</u>	<u>100</u>	<u>54,692</u>	<u>100</u>	<u>66,361</u>	<u>100</u>	<u>49,484</u>	<u>100</u>	<u>52,603</u>	<u>100</u>

Our turnover comprises interest income on pawn loans and mortgage loans, and gain on disposal of repossessed assets. The increase in our interest income on pawn loans during the Track Record Period was principally driven by the continuous increase in our aggregated amount of pawn loans granted throughout the Track Record Period. Similarly, the increase in our interest income on our mortgage loan services during the Track Record Period was principally driven by the continuous expansion of our mortgage loan portfolio since we launch our mortgage loan services in June 2009 and our commencement of granting subordinated mortgage loans in April 2011. Our gain on disposal of repossessed assets represents the gain we receive when we sell the repossessed assets in the event of default in repayment of our pawn loans. Our increase in gain on disposal of repossessed assets from the year ended 28 February 2010 to the year ended 29 February 2012 was primarily driven by the general increasing prices of our collaterals such as watches, gold, jewellery and diamond during the relevant period. Our gain on disposal of repossessed assets for the nine months ended 30 November 2012 decreased as compared with that for the nine months ended 30 November 2011. Such decrease was primarily due to the fact that we only disposed of repossessed assets for the ten lunar months falling with the nine months ended 30 November 2011 while we only disposed of repossessed assets for the nine lunar months falling within the nine months ended 30 November 2012. For details, please refer to the section headed “Financial information — Period to period comparison of results of operations”.

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### Our interest income by types of customers

	Year ended 28 February 2010		Year ended 28 February 2011		Year ended 29 February 2012		Nine months ended 30 November 2012	
	HK\$('000)	%	HK\$('000)	%	HK\$('000)	%	HK\$('000)	%
Pawn loans <sup>(Note 1)</sup>								
• Hong Kong identity card holders (excluding foreign domestic helpers)	27,358	67.8	29,936	66.1	34,878	66.7	28,653	66.9
• Foreign domestic helpers	12,533	31.0	14,514	32.1	16,253	31.0	12,721	29.7
• Others <sup>(Note 2)</sup>	465	1.2	821	1.8	1,220	2.3	1,479	3.4
	<u>40,356</u>	<u>100.0</u>	<u>45,271</u>	<u>100.0</u>	<u>52,351</u>	<u>100.0</u>	<u>42,853</u>	<u>100.0</u>
Mortgage loans								
• Individuals	157	100.0	823	100.0	2,914	91.3	4,418	92.0
• Corporates	—	—	—	—	278	8.7	385	8.0
	<u>157</u>	<u>100.0</u>	<u>823</u>	<u>100.0</u>	<u>3,192</u>	<u>100.0</u>	<u>4,803</u>	<u>100.0</u>
	<u>40,513</u>		<u>46,094</u>		<u>55,543</u>		<u>47,656</u>	

Notes:

- All of our pawn loan customers are individuals.
- Others include non-Hong Kong identity card holders such as PRC citizens and foreigners.

### Our interest income on mortgage loans by different types of mortgaged real estates and mortgage loans

	Year ended			Nine months ended
	28 February 2010	28 February 2011	29 February 2012	30 November 2012
	HK\$('000)	HK\$('000)	HK\$('000)	HK\$('000)
<b>Type of mortgaged real estates</b>				
Residential mortgage loans	157	801	2,662	4,372
Commercial mortgage loans	—	22	530	431
	<u>157</u>	<u>823</u>	<u>3,192</u>	<u>4,803</u>
<b>Type of mortgage loans</b>				
First mortgage loans	157	823	2,209	2,983
Subordinated mortgage loans	—	—	983	1,820
	<u>157</u>	<u>823</u>	<u>3,192</u>	<u>4,803</u>

### Total amount of each type of loans we granted

	Year ended			Nine months ended
	28 February 2010	28 February 2011	29 February 2012	30 November 2012
	HK\$('000)	HK\$('000)	HK\$('000)	HK\$('000)
Pawn loan	361,408	413,843	513,130	414,119
Mortgage loan	<u>3,900</u>	<u>23,200</u>	<u>38,280</u>	<u>66,990</u>
	<u>365,308</u>	<u>437,043</u>	<u>551,410</u>	<u>481,109</u>

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### Net interest margin *(Note)*

	Year ended 28 February 2010 %	Year ended 28 February 2011 %	Year ended 29 February 2012 %	Nine months ended 30 November 2011 %	Nine months ended 30 November 2012 %
Net interest margin for our pawn loan services	42.4	42.9	42.1	42.7	43.3
Net interest margin for our mortgage loan services	9.0	9.9	12.7	12.3	13.4
<b>Overall net interest margin</b>	<b>41.5</b>	<b>40.5</b>	<b>37.2</b>	<b>38.1</b>	<b>35.7</b>

*Note: Net interest margin during the year/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 year/period.*

### Average interest rate *(Note)*

	Year ended 28 February 2010	Year ended 28 February 2011	Year ended 29 February 2012	Nine months ended 30 November 2012
Average interest rate for our pawn loan services	3.43% per lunar month or 41.16% per annum	3.43% per lunar month or 41.16% per annum	3.45% per lunar month or 41.40% per annum	3.46% per lunar month or 41.52% per annum
Average interest rate for our mortgage loan services	10.6% per annum	11.1% per annum	16.3% per annum	14.9% per annum

*Note: Average interest rate refers to the arithmetic average of interest rates of each of our pawn loans or mortgage loans during the year/period. Average interest rate per annum for our pawn loan services is for illustrative purpose only and is calculated based on 12 lunar months per year.*

### Our key financial ratios

	28 February 2010	28 February 2011	29 February 2012	30 November 2012
Current ratio <sup>(1)</sup>	18x	22x	19x	5x
Gearing ratio <sup>(2)</sup>	52.2%	45.3%	34.0%	46.5%
	For the year ended		For the nine months ended	
	28 February 2010	28 February 2011	29 February 2012	30 November 2012
Return on total assets <sup>(3)</sup>	15.8%	15.4%	17.9%	13.2%
Return on equity <sup>(4)</sup>	25.3%	23.0%	24.7%	19.4%

*Notes:*

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

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- (2) Gearing ratio is calculated by dividing total borrowings (summation of bank loans, overdrafts, obligation under finance leases and amounts due to Shareholders) by total equity as at the respective year/period end.
- (3) Return on total assets is calculated by dividing profit for the year/period by the total assets as at the respective year/period end. The return on total assets for the nine months ended 30 November 2011 and 30 November 2012 respectively are not calculated on an annual basis.
- (4) Return on equity is calculated by dividing profit for the year/period by the total equity as at the respective year/period end. The return on equity for the nine months ended 30 November 2011 and 30 November 2012 respectively are not calculated on an annual basis.

For further details on the reasons for the fluctuation of the above financial ratios, please refer to the section headed “Financial information” in this prospectus.

### **Operating expenses**

During the Track Record Period, our operating expenses included staff costs and other operating expenses consisting of mainly rental expenses, premises and equipment expenses, auditors’ remuneration, depreciation and advertising expenses. During the Track Record Period, staff costs amounted to approximately HK\$13.8 million, HK\$14.7 million, HK\$13.5 million and HK\$11.4 million, respectively, and our other operating expenses amounted to approximately HK\$9.7 million, HK\$13.0 million, HK\$13.6 million and HK\$17.9 million, respectively. For details, please refer to the section headed “Financial information — Principal components of combined statements of comprehensive income” in this prospectus.

### **Source of funds**

During the Track Record Period, we had been financing our operations mainly through a combination of our internal generated funds, funds from our Shareholders and bank loans and overdrafts. For each of the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2012, we had entered into 11, 11, 13 and 14 facility agreements with local banks in Hong Kong, respectively, for the facility in the aggregate amount of HK\$7.5 million, HK\$7.5 million, HK\$13.0 million and HK\$46.9 million, respectively, as contingent capital for our pawn loan and mortgage loan services. As at the Latest Practicable Date, our unutilised banking facilities available for drawdown amounted to approximately HK\$21.7 million and so far as our Directors are aware, save for the satisfaction of certain conditions of the uncommitted revolving term loan facility including, amongst others, the bank being satisfied with the security to be provided and the execution of the security documentation between the bank and us, there is no restriction for our Group to drawdown from these unutilised banking facilities as at the Latest Practicable Date. As at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, loans from our Shareholders amounted to approximately HK\$40.5 million, HK\$43.7 million, HK\$42.0 million and HK\$45.0 million, respectively. All of the Shareholders’ loans had been fully capitalised as at the Latest Practicable Date. Our source of funds for our operations after the Listing will be a combination of internal generated funds, bank loans and overdrafts and net proceeds from the Share Offer.

### **Estimated listing expense**

During the Track Record Period, we had incurred and recognised approximately HK\$6.8 million listing-related expenses in the profit and loss account. The total estimated expenses in relation to the Listing are approximately HK\$22.5 million, of which approximately HK\$7.4 million is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity upon Listing. The estimated expenses of approximately HK\$10.9 million, including the amount of approximately HK\$6.8 million recognised during the nine months ended 30 November 2012, are expected to be charged to the profit or loss of our Group



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for the year ending 28 February 2013, and approximately HK\$4.2 million are expected to be charged to the profit or loss for the year ending 28 February 2014. The estimated listing-related expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing.

### **Our latest development subsequent to the Track Record Period**

We have continued to focus on strengthening our market position in the pawn loan industry and developing our mortgage loan business in Hong Kong. During the two months of December 2012 and January 2013, we recorded total turnover of approximately HK\$13.5 million, or a monthly average of approximately HK\$6.8 million. The selected financial information disclosed above is derived from the unaudited financial statements for the eleven months ended 31 January 2013, which have been reviewed by our Company's reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Comparatively, during the year ended 29 February 2012 and the nine months ended 30 November 2012, our total turnover was approximately HK\$66.4 million and HK\$52.6 million, respectively, or monthly average of approximately HK\$5.5 million and HK\$5.8 million, respectively. The increase in average monthly turnover was mainly due to the continuous expansion of our pawn loan and mortgage loan portfolio during the same period.

Furthermore, the portion of our turnover generated from interest earned on our mortgage loan increased from approximately 9.1% of our total turnover for the nine months ended 30 November 2012 to approximately 14.6% of our total turnover for the two months of December 2012 and January 2013 while the portion of our turnover generated from interest income earned on our pawn loans and gain on disposal of repossessed assets decreased from approximately 90.9% of our total turnover for the nine months ended 30 November 2012 to approximately 85.4% of our total turnover for the two months of December 2012 and January 2013. Our net interest margins for our pawn loan services and mortgage loan services remained relatively stable at approximately 45.3% and 12.5%, respectively, for the two months of December 2012 and January 2013 compared with our net interest margins for our pawn loan services and mortgage loan services of approximately 43.3% and 13.4%, respectively for the nine months ended 30 November 2012.

From 1 December 2012 to 31 January 2013, we granted 12 new mortgage loans with an aggregated loan amount of approximately HK\$24.5 million and approximately 23,000 pawn loans with an aggregated pawn loan amount of approximately HK\$89.1 million. The average interest rates of our pawn loan services remained relatively stable at approximately 3.47% per lunar month for the two months of December 2012 and January 2013 as compared with approximately 3.46% per lunar month for the nine months ended 30 November 2012. The average interest rates of our mortgage loan services slightly increased from approximately 14.9% per annum for the nine months ended 30 November 2012 to approximately 18.5% per annum for the two months of December 2012 to January 2013 since we charged a relatively higher interest rate for certain mortgage loans granted during this period.

### **No material adverse change**

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 November 2012 and there is no event since 30 November 2012 which would materially affect the information shown in our combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.



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### SHARE OFFER STATISTICS

	<b>Based on the maximum indicative Offer Price of HK\$0.98</b>	<b>Based on the minimum indicative Offer Price of HK\$0.75</b>
Market capitalisation . . . . .	HK\$392 million	HK\$300 million
Unaudited pro forma adjusted net tangible assets per Share. . . . .	HK\$0.55	HK\$0.50

*Notes:*

1. The calculation of the market capitalisation of our Company is based on 400,000,000 Shares in issue immediately following the completion of the Share Offer but without taking into account of any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares.
2. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments set forth in Appendix II to this prospectus and on the basis that 400,000,000 Shares were in issue immediately following the completion of the Share Offer but without taking into account of any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares.

### USE OF PROCEEDS

The aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK\$0.87 per Share, being the mid-point of the indicative Offer Price range of HK\$0.75 to HK\$0.98 per Share) will be approximately HK\$64.5 million. Our Directors intend to apply the net proceeds from the Share Offer as follows:

<b>Approximate amount of net proceeds</b>	<b>Intended applications</b>
HK\$38.7 million or 60% <i>(Note)</i>	Expanding our mortgage loan portfolio and broadening our customer base
HK\$18.1 million or 28% <i>(Note)</i>	Expanding our pawn loan portfolio and establishing a new Customer Service Centre
HK\$6.4 million or 10%	General working capital
HK\$1.3 million or 2%	Marketing activities

*Note:* In the event that our Money Lenders Licence could not be renewed in May 2013, approximately HK\$56.8 million representing approximately 88% of the net proceeds from the Share Offer will be used for expanding our pawn loan portfolio and establishing a new Customer Service Centre.

For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

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### DIVIDEND AND DIVIDEND POLICY

For each of the two years ended 28 February 2011, the year ended 29 February 2012, and the nine months ended 30 November 2012, Oi Wah HK declared dividends of HK\$1.0 million, HK\$1.0 million, HK\$1.0 million and HK\$8.79 million, respectively, out of the distributable profit, and all these dividends had been paid as at the Latest Practicable Date. Dividends declared and paid in the past should not be regarded as an indication of the dividend policy to be adopted by our Company following Listing. For details of our dividend policy, please refer to the section headed “Financial information — Dividend policy” in this prospectus.

### RISK FACTORS — HIGHLIGHTS

Our Directors consider that there are risks and uncertainties relating to our business and our industry. Some highlighted risks are set out below.

- Our business is affected by fluctuations in interest rates and our credit positions
- Further expansion of our mortgage loan portfolio may influence our overall net interest margin, business and credit risks exposure and working capital positions
- We have only started our mortgage loan business in 2009 and there is no assurance that the future development of our mortgage loan business will be successfully implemented

For further discussions on the risk factors, please refer to the section headed “Risk factors” in this prospectus.

### REGULATORY COMPLIANCE

#### Pawn loans granted under our Money Lenders Licence

During the Track Record Period and up to the Latest Practicable Date, there were 315 incidents, with an aggregate loan amount granted of approximately HK\$48.6 million, where we mistakenly issued tickets to customers for pawn loans exceeding HK\$100,000 granted pursuant to our Money Lenders Licence due to inadvertent administrative oversight. Our Legal Counsel was of the opinion that the omission of the signature of the borrower, as we do not require our customers to sign on the tickets, constituted a breach of section 18 of the Money Lenders Ordinance. As advised by Pang & Co., legal advisers to our Company as to Hong Kong law, pursuant to section 32 of the Money Lenders Ordinance, the maximum penalty shall be a fine of HK\$100,000 for committing each offence and to imprisonment for 2 years, and any person convicted of an offence under the Money Lenders Ordinance may be disqualified from holding a money lenders licence for a period not exceeding 5 years from the date of conviction by the Magistrate. In light of the above, the directors of Oi Wah HK (including our three executive Directors, namely, Mr. Chan Chart Man, Mr. Edward Chan and Ms. Chan Ying Yu) may be subject to imprisonment for 2 years and Oi Wah HK may be subject to a fine of HK\$100,000, being the maximum penalty for committing each offence by breaching section 18 of the Money Lenders Ordinance. Our Directors confirmed that they are not aware of any irregularities in respect of the interest rates offered and the collaterals pledged in the above non-compliance incidents compared with other pawn loan transactions of our Group.

These non-compliance incidents were reported to the Police Licensing Office on 30 November 2012. Our Directors confirmed that as at the Latest Practicable Date, no action had been taken by the Police Licensing Office against our Group. Our Legal Counsel was of the view that such non-compliance incidents have been time barred under section 26 of the Magistrates Ordinance and there should not be any potential liability or consequences on our Group or our Directors. Our Legal Counsel is also satisfied that the renewal of our Money Lenders Licence should not be affected. For further details, please refer to the section headed “Business — Regulatory compliance” in this prospectus.