You should read the following discussion and analysis of our results of operations and financial condition in conjunction with our combined financial information as of and for the two years ended 28 February 2011, the year ended 29 February 2012 and the nine months ended 30 November 2011 and 2012, including the notes thereto, included in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with HKFRSs. The following discussion contains forward-looking statements concerning events that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a financing service provider in Hong Kong mainly providing short-term secured financing, including pawn loans and mortgage loans. We provide pawn loans whereby personal properties are used as collaterals for the security of such loans, and first and subordinated mortgage loans.

Our turnover for the year ended 28 February 2010 ("FY2010"), the year ended 28 February 2011 ("FY2011"), the year ended 29 February 2012 ("FY2012") and the nine months ended 30 November 2012 were approximately HK$46.7 million, HK$54.7 million, HK$66.4 million and HK$52.6 million, respectively, while our profit and total comprehensive income for the same periods were approximately HK$20.2 million, HK$23.6 million, HK$33.4 million and HK$19.3 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 5 June 2012 and became the holding company of the companies now comprising our Group pursuant to the Reorganisation completed on 18 February 2013. Details of which are set out in the section headed "History and development" to this prospectus.

For the purpose of preparation of our Group's combined financial statements, the financial year end date of Oi Wah HK has been changed to 28 February (or 29 February in a leap year) to conform with that of our Company as part of the Reorganisation.

Pursuant to the concert party agreement as detailed in the section headed "Relationship with our Controlling Shareholders" in this prospectus, all the companies and businesses (including the sole proprietorship businesses) that took part in the Reorganisation were controlled by the same group of shareholders, namely the Chan Family. As the Chan Family owned or controlled the sole proprietorship business and the companies now comprising our Group before and after the Reorganisation, there was a continuation of the risk and benefits to the Chan Family and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control. The combined financial statements of our Group has been prepared using the principles of merger accounting and there was no change in the economic substance of the business of our Group. Accordingly, the combined financial statements of our Group has been prepared as if the Reorganisation has been completed as at the beginning of the Track Record Period and remained unchanged throughout the Track Record Period.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATION

Our Group's financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below.

Source of funding

Our source of funds for our operations mainly comes from a combination of our internal generated funds, funds from our Shareholders and bank loans and overdrafts. The expansion of our pawn loan and mortgage loan business depends on our loan portfolio which will require us to maintain sufficient funds. Our profitability and financial performance will depend on our ability to obtain sufficient and/or alternative fundings on reasonable terms.

Interest rate environment, staff cost and rental expenses

Our Group's interest rate risks arise from the interest-bearing lending and borrowing of our pawn loan and mortgage loan business. Our profitability is highly correlated to the net interest margin. The interest rate chargeable by us to our customers is determined by the market demand of loans and the prevailing competition in the industry, and is capped by the relevant provisions of the Pawnbrokers Ordinance and the Money Lenders Ordinance. The net interest margin during the Track Record Period was approximately 41.5%, 40.5%, 37.2% and 35.7% per annum respectively. Our borrowing cost is determined the overall local money lending market conditions and our credit positions. Our Directors noted that the interest rate environment is not stable and the interest rate changes from time to time that may affect the sustainability of our net interest margin. In order to mitigate the risk arising from the fluctuation of general interest rates, while we financed our mortgage loan business by bank borrowings based on the prime rate, we have since early 2011 granted mortgage loans with floating interest rate based on the prime rate plus a fixed margin. Furthermore, the prevailing low interest rate environment enables us to obtain debt financing to fund our pawn loan and mortgage loan operations at a lower cost which our Directors considered would enhance our interest rate risk management and sustainability of our net interest margin.

Notwithstanding the negative impact on our net interest margin due to various factors, our Group will endeavour to secure its source of funding at reasonable costs through debt and/or equity financing (or a combination of both) when and where necessary. We will endeavour to maintain a good relationship with our banks with an aim to ensure we could obtain debt financing at favourable terms whenever it is required and we will also negotiate with different banks when we seek for new bank borrowings in the future to compare the terms of the bank loans offered to us.

Staff cost and rental expenses attribute to the largest portion of our total operating expenses during the Track Record Period. To mitigate the adverse impact of possible escalating staff cost and rental expenses, our Directors intend to offer performance-based bonus rather than offering salary increment as incentive to retain its staff and to secure the rental agreement in a longer term.

Competitiveness of our loan products

Our net loan receivables amounted to approximately HK$94.3 million, HK$125.5 million, HK$151.0 million and HK$194.3 million as at 28 February 2010, 28 February 2011, 29 February 2012 and 30 November 2012, respectively. The pawn loan and money lending industries are highly competitive. Our profitability and ability to expand our loan portfolio will be dependent on, among others, the competitiveness of our loan products in terms of interest charges, our ability to target and select customers with creditworthiness which commensurate with our interest charges, our marketing efforts in promoting our brand and loan products, and the service quality of our staff.

Fluctuation in the values of the collaterals

The values of the collaterals used as pledges for our pawn loans and mortgage loans may fluctuate due to various reasons such as the macro economic environment, fluctuation in prices of the commodities and real estates and inflation. The fluctuation in the values of the collaterals in turn affects the amount of our loans granted and thus the amount of our interest income as well as the amount of our gain on disposal of repossessed assets. Our results of operations may be affected by the volatility of the values of our collaterals.

Changes in laws and regulations governing the pawn loan and money lending industries in Hong Kong

Our business is governed by the Pawnbrokers Ordinance and the Money Lenders Ordinance. Changes in laws and regulations governing our business may affect our profitability and financial performance, such as the level of interest rate we may charge our customers or any new licensing requirements. A summary of the regulatory framework of pawn loan and money lending business in Hong Kong is set out in the section headed "Regulatory overview" in this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 our 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 accrual 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, our 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.

Financial instruments

(i) Initial recognition

Our 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.

Our Group recognises financial assets and financial liabilities on the date we become 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 or net payment 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 our Group intends to sell immediately or in the near term, which are classified as held for trading; (2) those that our Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (3) those where our 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 collaterals for the security of the loans. Mortgages are loans secured by real estates and unsecured loans are loans without collaterals.

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

Other financial liabilities

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

(iii) Fair value measurement principles

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

(iv) Derecognition

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

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

Impairment of financial assets

The carrying amounts of our Group's financial 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 our 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 the 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 our 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.

(i) 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.

Our 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 our 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 our Group. Each impaired asset is assessed on its merits.

In assessing the need for collective loan loss 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, our Group makes assumptions both to define the way our 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.

Repossessed assets

In the recovery of impaired loan receivables granted under the Pawnbrokers Ordinance, our Group takes possession of the collateral assets from the customers. This possession takes place once a loan becomes overdue, subject to a grace period at the discretion of our Group granted 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.

Others

For details of the significant accounting policies relating to our Group's financial information, pleas refer to the Accountants' Report set out in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following is a summary of the combined statements of comprehensive income of our Group for each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2011 and 2012, respectively, derived from the Accountants' Report set out in Appendix I to this prospectus.

	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$	*HK$*	*HK$*	*HK$* *(unaudited)*	*HK$*
Turnover	46,659,418	54,692,308	66,360,621	49,483,636	52,602,748
Other revenue	902,368	1,233,567	840,316	564,732	1,379,861
Other net income	325,420	73,802	123,012	123,910	234
Operating income	47,887,206	55,999,677	67,323,949	50,172,278	53,982,843
Operating expenses	(23,536,112)	(27,777,550)	(27,127,035)	(20,460,179)	(29,255,416)
(Charge for)/credit to impairment losses on loan receivables	(42,446)	91,390	(76,429)	(106,119)	937
Profit from operations	24,308,648	28,313,517	40,120,485	29,605,980	24,728,364
Finance costs	(27,091)	(49,682)	(141,874)	(84,954)	(304,466)
Profit before taxation	24,281,557	28,263,835	39,978,611	29,521,026	24,423,898
Income tax	(4,060,085)	(4,679,961)	(6,602,556)	(4,838,402)	(5,154,326)
Profit and total comprehensive income for the year/period	20,221,472	23,583,874	33,376,055	24,682,624	19,269,572

PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth the turnover, other revenue and other net income of our Group for each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2011 and 2012, respectively.

	Year ended 28 February 2010 *HK$*	Year ended 28 February 2011 *HK$*	Year ended 29 February 2012 *HK$*	Nine months ended 30 November 2011 *HK$* *(unaudited)*	Nine months ended 30 November 2012 *HK$*
Turnover					
Interest earned on loan receivables					
— Pawn loans	40,355,990	45,270,791	52,350,742	39,266,976	42,853,013
— Mortgages	156,956	823,353	3,192,311	2,048,163	4,802,665
	40,512,946	46,094,144	55,543,053	41,315,139	47,655,678
Gain on disposal of repossessed assets	6,146,472	8,598,164	10,817,568	8,168,497	4,947,070
	46,659,418	54,692,308	66,360,621	49,483,636	52,602,748
Other revenue					
Rental income	593,750	637,950	675,511	468,653	554,944
Dividend income from trading securities	25,823	24,334	160	125	133
Interest earned on unsecured loans	72,493	100,139	84,222	69,150	25,304
Credit related fee income	—	—	67,542	18,500	163,000
Bank interest income	1,164	570	380	304	331
Others	209,138	470,574	12,501	8,000	636,149
	902,368	1,233,567	840,316	564,732	1,379,861
Other net income					
Net realised and unrealised gain/(loss) on trading securities	389,420	73,802	(898)	—	234
Net (loss)/gain on disposal of fixed assets	(64,000)	—	123,910	123,910	—
	325,420	73,802	123,012	123,910	234
Operating income	47,887,206	55,999,677	67,323,949	50,172,278	53,982,843

Turnover

Our turnover comprises interest income on pawn loans and mortgage loans, and gain on disposal of repossessed assets. Our turnover amounted to approximately HK$46.7 million, HK$54.7 million, HK$66.4 million and HK$52.6 million representing approximately 97.5%, 97.7%, 98.7% and 97.4%, respectively, of our Group's operating income of approximately HK$47.9 million, HK$56.0 million, HK$67.3 million and HK$54.0 million, respectively, for each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012. Our interest income on pawn loans and mortgage loans, which is our key turnover driver, during the same periods amounted to approximately HK$40.5 million, HK$46.1 million, HK$55.5 million and HK$47.7 million, respectively, accounted for approximately 86.8%, 84.3%, 83.7% and 90.6% of our Group's turnover, respectively. For each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, our turnover attributable to the gain on disposal of repossessed assets amounted to approximately HK$6.1 million, HK$8.6 million, HK$10.8 million and HK$4.9 million, respectively, accounted for approximately 13.2%, 15.7%, 16.3% and 9.4% of our turnover, respectively.

Other revenue

Other revenue consists of rental income, dividend income from trading securities, interest earned on unsecured loans, credit related fee income, bank interest income, income from trading of luxury goods such as watches and jewellery and others. Other revenue amounted to approximately HK$0.9 million, HK$1.2 million, HK$0.8 million and HK$1.4 million, representing approximately 1.9%, 2.1%, 1.2% and 2.6% of our Group's operating income for each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, respectively. As at the Latest Practicable Date, our Group had disposed all of its trading securities and ceased investing in trading securities, and also ceased the procurement of luxury goods for trading from second-hand product dealers. For the nine months ended 30 November 2012, we have traded luxury goods for three walk-in customers who approached us directly and the income generated from such trading amounted to approximately HK$460,000. We will engage in such trading activities in the future only if initiated by our customers and as and when our Directors consider appropriate. Our interests earned on unsecured loans during the Track Record Period were relating to the unsecured loans we separately advanced to two individuals and a second-hand product dealer, all being Independent Third Parties, which had prior business relationship with us and approached us on their own initiatives to meet their short-term liquidity needs. We granted the said unsecured loans pursuant to our Money Lenders Licence. As advised by Pang & Co., legal advisers to our Company as to Hong Kong law, the relevant loans will be governed by the Money Lenders Ordinance and the granting of such unsecured loans by us is legal. On the other hand, we could not provide loans to borrowers without collaterals under our Pawnbrokers Licences. As at the Latest Practicable Date, all such unsecured loans have been repaid and we do not intend to grant unsecured loans to any third parties in the future.

Other net income

Other net income includes net realised and unrealised gain or loss on trading securities and net gain or loss on disposal of fixed assets. Other net income amounted to approximately HK$0.3 million, HK$0.1 million, HK$0.1 million and HK$200 for each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, respectively, accounted for approximately 0.6%, 0.2%, 0.1% and 0.001% of our Group's operating income, respectively.

Operating expenses

Operating expenses include staff costs and other operating expenses.

Staff costs

Staff costs comprise salaries and other benefits, Directors' remuneration, contributions to defined contribution scheme, and (reversal of provision)/provision for long service payment. For each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, staff costs amounted to approximately HK$13.8 million, HK$14.7 million, HK$13.5 million and HK$11.4 million respectively.

Other operating expenses

Other operating expenses mainly consist of rental expenses, maintenance and repair expenses, listing-related expenses, auditors' remuneration, depreciation and advertising expenses. For each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, other operating expenses amounted to approximately HK$9.7 million, HK$13.0 million, HK$13.6 million and HK$17.9 million, respectively.

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 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.

(Charge for)/Credit to impairment losses on loan receivables

We incurred impairment losses on loan receivables based on the recoverability of our loan receivables. Our amount of impairment losses on loan receivables (charged for)/ credited to the profit or loss of our Group were approximately HK$(42,000), HK$91,000, HK$(76,000) and HK$900, for each of the FY2010, FY2011, FY2012 and the nine months ended 30 November 2012.

Finance costs

Finance costs consisted of finance charges of obligations under finance leases and interest on bank loans and overdrafts. For each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, finance costs amounted to approximately HK$27,000, HK$50,000, HK$142,000 and HK$304,000, respectively.

Income tax expenses

Since our operation is based in Hong Kong, our Group is liable to Hong Kong Profits Tax. For each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, the income tax expenses of our Group amounted to approximately HK$4.1 million, HK$4.7 million, HK$6.6 million and HK$5.2 million, respectively.

The normal tax rate in Hong Kong was 16.5%, except for that of sole proprietorship businesses of 15.0%, throughout the Track Record Period, while our corresponding effective tax rate were 16.7%, 16.6% and 16.5% and 21.1% for each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, respectively. Our effective tax rate were slightly higher than normal tax rates in each of the FY2010 and FY2011 which was due to the insignificant amount of non-deductible expenses during the relevant periods. Our effective tax rate for the nine months ended 30 November 2012 of 21.1% was higher than the normal tax rate mainly attributable to the non tax-deductible listing-related expenses of approximately HK$6.8 million for the period.

Net interest margin

The following table sets forth the net interest margin for each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2011 and 2012:

	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
Overall net interest margin	**41.5**	**40.5**	**37.2**	**38.1**	**35.7**

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended 30 November 2012 compared to nine months ended 30 November 2011

Turnover

Our Group's turnover increased from approximately HK$49.5 million in the nine months ended 30 November 2011 to approximately HK$52.6 million in the nine months ended 30 November 2012 representing an increase of approximately HK$3.1 million or 6.3%. The increase was attributable to the increase in our interest income earned on our loan receivables by approximately HK$6.4 million or 15.5% from approximately HK$41.3 million in the nine months ended 30 November 2011 to approximately HK$47.7 million in the nine months ended 30 November 2012, offset by a decrease in gain on disposal of repossessed assets by approximately HK$3.3 million or 40.2% from approximately HK$8.2 million in the nine months ended 30 November 2011 to approximately HK$4.9 million in the nine months ended 30 November 2012.

The increase in our interest income earned on our loan receivables in the nine months ended 30 November 2012 was attributable to the increase in our interest income earned in both of our pawn loan and mortgage loan business. Interest income earned on our pawn loan services increased from approximately HK$39.3 million in the nine months ended 30 November 2011 to approximately HK$42.9 million in the nine months ended 30 November 2012, representing an increase of approximately HK$3.6 million or 9.2%. The increase was primarily attributable to our increase in the (i) aggregated amount of pawn loans granted increased from approximately HK$386.0 million in the nine months ended 30 November 2011 to approximately HK$414.1 million in the nine months ended 30 November 2012; and (ii) average amount of pawn loans increased from approximately HK$3,400 per transaction in the nine months ended 30 November 2011 to approximately HK$3,900 per transaction in the nine months ended 30 November 2012.

Interest income earned on our mortgage loan services increased significantly from approximately HK$2.0 million in the nine months ended 30 November 2011 to approximately HK$4.8 million in the nine months ended 30 November 2012, representing an increase of approximately HK$2.8 million or 140.0%. The increase was mainly due to the continuous expansion of our mortgage loan portfolio in the nine months ended 30 November 2012. The number of new mortgage loans granted increased from 29 cases in the nine months ended 30 November 2011 to 54 cases in the nine months ended 30 November 2012 and the total amount of mortgage loans granted increased significantly from approximately HK$35.2 million in the nine months ended 30 November 2011 to approximately HK$67.0 million in the nine months ended 30 November 2012.

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 the nine months ended 30 November 2012 was mainly due to the fact that (i) our disposal of repossessed assets would ordinarily take place at the end of a lunar month, and (ii) the gain on disposal of repossessed assets for the nine months ended 30 November 2011 represented the gain on disposal of repossessed assets for the ten lunar months falling within the period, while the gain on disposal of repossessed assets for the nine months ended 30 November 2012 represented the gain on disposal for the nine lunar months falling within the period.

Other revenue

Other revenue increased from approximately HK$0.6 million in the nine months ended 30 November 2011 to approximately HK$1.4 million in the nine months ended 30 November 2012 representing an increase of approximately HK$0.8 million or 133.3%, which was mainly due to (i) the increase in other income generated from the trading of luxury goods of approximately HK$0.5 million, during the nine months ended 30 November 2012; (ii) the increase in rental income by approximately HK$0.1 million charged on our subleased properties, and (iii) the increase in our credit-related fee income by approximately HK$0.1 million representing early repayment fees and administrative fee for loan not drawn within 45 days from our mortgage loan customers.

Other net income

Other net income in the nine months ended 30 November 2011 amounted to approximately HK$0.1 million as we recorded approximately HK$0.1 million in our net gain on disposal of a fixed asset, our motor vehicle, in the nine months ended 30 November 2011 which was one-off in nature. Other net income in the nine months ended 30 November 2012 amounted to approximately HK$200 resulted from the net realised gain on disposal of trading securities.

Operating expenses

Operating expenses increased by approximately HK$8.8 million or 42.9% from approximately HK$20.5 million in the nine months ended 30 November 2011 to approximately HK$29.3 million in the nine months ended 30 November 2012.

Staff costs increased by approximately HK$0.9 million or 8.6% from approximately HK$10.5 million in the nine months ended 30 November 2011 to approximately HK$11.4 million in the nine months ended 30 November 2012. The increase was mainly attributable to (i) the increase in salaries and other benefits of approximately HK$0.3 million mainly due to the increase in staff performance bonus, (ii) the increase in directors' remuneration of approximately HK$0.4 million, and (iii) the increase of our provision for long service payment of approximately HK$0.2 million in the nine months ended 30 November 2012.

Other operating expenses increased by approximately HK$7.9 million or 79.0% from approximately HK$10.0 million in the nine months ended 30 November 2011 to approximately HK$17.9 million in the nine months ended 30 November 2012, which was primarily attributable to our listing-related expenses of approximately HK$6.8 million recognised in the nine months ended 30 November 2012.

(Charge for)/Credit to impairment losses on loan receivables

The impairment losses on loan receivables credited to profit or loss was approximately HK$1,000 in the nine months ended 30 November 2012 compared to impairment losses on loan receivables charged to profit or loss in the nine months ended 30 November 2011 which amounted to approximately HK$0.1 million. The impairment losses on loan receivables credited to profit or loss in the nine months ended 30 November 2012 of approximately HK$1,000 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$73,000; and (ii) the impairment losses on loan receivables that were collectively assessed being charged to profit or loss of approximately HK$72,000. In the nine months ended 30 November 2011, the impairment losses on loan receivables charged to profit or loss of approximately HK$0.1 million was attributable to the net effect of (i) the impairment losses for several loan receivable balances that were individually assessed which amounted to approximately HK$138,000 charged to profit or loss, and (ii) the subsequent reassessment on the recoverability of previously impaired loan receivables that were collectively assessed being credited to profit or loss of approximately HK$32,000.

Finance costs

Finance costs increased by approximately HK$0.2 million or 200.0% from approximately HK$0.1 million in the nine months ended 30 November 2011 to approximately HK$0.3 million in the nine months ended 30 November 2012. The increase was mostly due to an increase in amount of bank loans and overdrafts in the nine months ended 30 November 2012 as we obtained and utilised more bank loans and overdraft facilities as funding for our expansion of pawn loan and mortgage loan portfolios.

Income tax expenses

Our Group's income tax expenses increased by approximately HK$0.4 million, or approximately 8.3% from approximately HK$4.8 million in the nine months ended 30 November 2011 to approximately HK$5.2 million in the nine months ended 30 November 2012. The increase was mainly due to the tax effect of non-deductible listing expenses expenses of approximately HK$6.8 million for the nine months ended 30 November 2012, as compared to the tax effect of our non-deductible expenses of approximately HK$0.1 million for the nine months ended 30 November 2011, partially offset by the lesser amount of notional tax by approximately HK$0.8 million due to decreased profit before taxation by approximately HK$5.1 million over the same period.

Profit and total comprehensive income for the period

As a result of the foregoings, our profit and total comprehensive income for the period decreased by approximately HK$5.4 million or 21.9%, from approximately HK$24.7 million in the nine months ended 30 November 2011 to approximately HK$19.3 million in the nine months ended 30 November 2012.

Net profit margin

Our net profit margin decreased from approximately 49.9% in the nine months ended 30 November 2011 to approximately 36.6% in the nine months ended 30 November 2012, which was mainly due to our listing-related expenses of approximately HK$6.8 million incurred in the nine months ended 30 November 2012 and hence decreased our net profit recorded in the same period.

Net interest margin

The net interest margin decreased from approximately 38.1% in the nine months ended 30 November 2011 to approximately 35.7% in the nine months ended 30 November 2012 since higher proportion of our interest income was earned from mortgage loans in the nine months ended 30 November 2012, from which we generally charged comparatively lower interest rate than that charged on our pawn loans. For the nine months ended 30 November 2011 and 2012, interest earned on mortgage loans contributed approximately 5.0% and 10.1% to our total interest income, respectively, resulted from the further expansion of our mortgage loan business. We maintained relatively stable net interest margin for our pawn loan services in the nine months ended 30 November 2011 and the nine months ended 30 November 2012 which amounted to approximately 42.7% and 43.3%, respectively. The net interest margin for our mortgage loan services increased slightly from approximately 12.3% in the nine months ended 30 November 2011 to approximately 13.4% in the nine months ended 30 November 2012, respectively. Among the mortgage loans we granted during the nine months ended 30 November 2012, we charged our customers 24.0% for one mortgage loan with loan amount of HK$1.8 million, 21.6% per annum for one mortgage loan with loan amount of HK$2.5 million and 18.0% per annum for six mortgage loans with aggregated loan amount of HK$11.0 million.

FY2012 compared to FY2011

Turnover

Our Group's turnover increased from approximately HK$54.7 million in FY2011 to approximately HK$66.4 million in FY2012 representing an increase of approximately HK$11.7 million or 21.4%. The increase was attributable to the increase in our interest income earned on our loan receivables by approximately HK$9.4 million or 20.4% from approximately HK$46.1 million in FY2011 to approximately HK$55.5 million in FY2012 and the increase in our gain on disposal of repossessed assets from approximately HK$8.6 million in FY2011 to approximately HK$10.8 million representing an increase of approximately HK$2.2 million or 25.6%.

The increase in our interest income earned on our loan receivables in FY2012 was mainly attributable to the increase in our interest income earned in both of our pawn loan and mortgages loan business. Interest income earned in our pawn loan services increased from approximately HK$45.3 million in FY2011 to approximately HK$52.4 million in FY2012, representing an increase of approximately HK$7.1 million or 15.7%. The increase was primarily attributable to our increase in the (i) aggregated amount of pawn loans granted increased from approximately HK$413.8 million in FY2011 to approximately HK$513.1 million in FY2012; and (ii) average amount of pawn loans increased from approximately HK$2,800 per transaction in FY2011 to approximately HK$3,500 per transaction in FY2012.

Interest income earned in our mortgage loan services increased significantly from approximately HK$0.8 million in FY2011 to approximately HK$3.2 million in FY2012, representing an increase of approximately HK$2.4 million or 300.0%. The increase was mainly due to the continuous expansion of our mortgage loan services in FY2012. The number of new mortgage loans granted was substantially increased from 12 in FY2011 to 31 in FY2012 and the amount of mortgage loans granted was significantly increased from approximately HK$23.2 million in FY2011 to approximately HK$38.3 million in FY2012. In addition, we began to provide subordinated mortgage loan services in FY2012 which generally charge a higher interest rate than first mortgage loan. Please refer to the section headed "Business — Our principal business activities — Mortgage loan services" for more details in relation to the interest rate of our subordinated mortgage loan.

The increase in our gain on disposal of repossessed assets in FY2012 was as a result of the general increasing prices of our collaterals such as watches, gold, jewellery and diamond during the relevant period.

Other revenue

Other revenue decreased from approximately HK$1.2 million in FY2011 to approximately HK$0.8 million in FY2012 representing a decrease of approximately HK$0.4 million or 33.3%, which was mainly due to the net effect of (i) decrease in income generated from the trading of luxury goods such as watches and jewellery by approximately HK$0.5 million; and (ii) increase in credit related fee income, such as handling fees for early repayment, of approximately HK$0.1 million in respect of mortgage loan in FY2012.

Other net income

Other net income remained stable in both FY2011 and FY2012 and amounted to approximately HK$0.1 million.

Operating expenses

Operating expenses decreased by approximately HK$0.7 million or 2.5% from approximately HK$27.8 million in FY2011 to approximately HK$27.1 million in FY2012. The decrease was attributable to the net effect of a decrease in our staff costs of approximately HK$1.2 million and an increase in our other operating expenses of approximately HK$0.6 million.

Staff costs decreased by approximately HK$1.2 million or 8.2% from approximately HK$14.7 million in FY2011 to approximately HK$13.5 million in FY2012. The decrease was mainly attributable to a decrease of salaries and other benefits, and Directors' remuneration of approximately HK$0.5 million and HK$0.7 million, respectively, as a result of (i) the change of bonus scheme in August 2010 from one which (1) was based on annual profit of our Group and (2) all staff of our Group were entitled to receive such bonus, to one which (1) was based on monthly turnover and loan amount of each Pawnshop and (2) only staff of Pawnshops were entitled to receive such bonus and (ii) our management decided not to pay any discretionary bonus to our Directors in FY2012 so as to reserve more internal resources for the development of our mortgage business.

Other operating expenses increased by approximately HK$0.6 million or 4.6% from approximately HK$13.0 million in FY2011 to approximately HK$13.6 million in FY2012, which was primarily attributable to an increase of rental expenses of approximately HK$0.7 million and an increase of other miscellaneous expenses such as insurance, legal and professional fees and motor vehicles expenses of approximately HK$0.5 million partially offset by a slight decrease of advertising expenses of approximately HK$0.5 million.

(Charge for)/Credit to impairment losses on loan receivables

The impairment losses on receivables charged to profit or loss was approximately HK$76,000 in FY2012 compared to a credit to the impairment losses on loan receivables in FY2011 which amounted to approximately HK$91,000. It is due to impairment losses for several loan receivable balances that were individually assessed which amounted to approximately HK$139,000 was charged in FY2012.

Finance costs

Finance costs increased by approximately HK$92,000 or 184.0% from approximately HK$50,000 in FY2011 to approximately HK$142,000 in FY2012. The increase was mostly due to the increased amount of bank loans and overdrafts in FY2012.

Income tax expenses

Our Group's income tax expenses increased by approximately HK$1.9 million, or approximately 40.4% from approximately HK$4.7 million in FY2011 to approximately HK$6.6 million in FY2012. The increase was mainly due to the increase of our taxable profit in FY2012.

Profit and total comprehensive income for the year

As a result of the foregoings, our profit and total comprehensive income for the year increased by approximately HK$9.8 million or 41.5%, from approximately HK$23.6 million in FY2011 to approximately HK$33.4 million in FY2012.

Net profit margin

Our net profit margin increased from approximately 43.1% in FY2011 to approximately 50.3% in FY2012 as we achieved significant growth in our turnover from FY2011 to FY2012 by approximately 21.4%, whereas our operating expenses remained relatively steady regardless of our growth in turnover as a financing service provider.

Net interest margin

The net interest margin decreased from approximately 40.5% in FY2011 to approximately 37.2% in FY2012, which was mainly attributable to higher proportion of our interest income earned from mortgage loans in FY2012, from which we generally charged comparatively lower interest rate than that charged on our pawn loans. Resulted from the further expansion of our mortgage loan business, interest earned on mortgage loans contributed approximately 1.7% and 5.8% to our total interest income in FY2011 and FY2012, respectively. We maintained relatively stable net interest margin for our pawn loan services in FY2011 and FY2012 which amounted to approximately 42.9% and 42.1%, respectively. The net interest margin for our mortgage loan services increased slightly from approximately 9.9% in FY2011 to approximately 12.7% in FY2012, as we started granting subordinated mortgage loans to customers in FY2012 that we generally charge our customers a higher interest rate than our first mortgage loans.

FY2011 compared to FY2010

Turnover

Our Group's turnover increased from approximately HK$46.7 million in FY2010 to approximately HK$54.7 million in FY2011, representing an increase of approximately HK$8.0 million or 17.1%. The increase was attributable to the increase in our interest income earned on our loan receivables by approximately HK$5.6 million or 13.8% from approximately HK$40.5 million in FY2010 to approximately HK$46.1 million in FY2011 and the increase in our gain on disposal of repossessed assets from approximately HK$6.1 million FY2010 to approximately HK$8.6 million representing an increase of HK$2.5 million or 41.0%.

The increase in our interest income earned on our loan receivables in FY2011 was mainly attributable to the increase in our interest earned in both of our pawn loan and mortgage loan services. Interest income earned in our pawn loan services increased from approximately HK$40.4 million in FY2010 to approximately HK$45.3 million in FY2011, representing an increase of approximately HK$4.9 million or 12.1%. The increase was due to (i) aggregated amount of pawn loans granted from approximately HK$361.4 million in FY2010 to approximately HK$413.8 million in FY2011; and (ii) average amount of pawn loans increased from approximately HK$2,500 per transaction in FY2010 to approximately HK$2,800 per transaction in FY2011.

Interest income earned in our mortgage loan services increased from approximately HK$0.2 million in FY2010 to approximately HK$0.8 million in FY2011, representing an increase of approximately HK$0.6 million or 300.0%. The increase was attributable to the fact that our mortgage loan services entered into a growing stage in FY2011 after its launch in FY2010. The number of new mortgage loans granted soared from 2 cases in 2010 to 12 cases in FY2011 and the total amount of mortgage loan granted was significantly increased from approximately HK$3.9 million in FY2010 to approximately HK$23.2 million in FY2011.

The increase in our gain on disposal of repossessed assets in FY2011 was as a result of the general increasing prices of our collaterals such as watches, gold, jewellery and diamond during the relevant period.

Other revenue

Other revenue increased from approximately HK$0.9 million in FY2010 to approximately HK$1.2 million in FY2011, representing an increase of approximately HK$0.3 million or 33.3%, mainly due to the increased amount of income generated from the trading of luxury goods such as watches and jewellery by approximately HK$0.3 million.

Other net income

Other net income decreased from approximately HK$0.3 million in FY2010 to approximately HK$0.1 million in FY2011, representing a decrease of approximately HK$0.2 million or 66.7%, primarily attributable to a decreased amount of net realised and unrealised gain on trading securities from approximately HK$0.4 million in FY2010 to HK$0.1 million in FY2011.

Operating expenses

Operating expenses increased by approximately HK$4.3 million or 18.3% from approximately HK$23.5 million in FY2010 to approximately HK$27.8 million in FY2011. This increase was attributable to an increase in our staff costs of approximately HK$0.9 million and an increase in our other operating expenses of approximately HK$3.3 million.

Staff cost increased by approximately HK$0.9 million or 6.5% from approximately HK$13.8 million in FY2010 to approximately HK$14.7 million in FY2011. The increase was mainly attributable to an increase of salaries and other benefits of approximately HK$0.9 million as a result of increase in bonus to staff because our staff achieved the internal turnover target set by our Group during FY2011.

Other operating expenses increased by approximately HK$3.3 million or 34.0% from approximately HK$9.7 million in FY2010 to approximately HK$13.0 million in FY2011, which was primarily attributable to (i) the increase of advertising expenses of approximately HK$2.0 million as we deployed a variety of channels to advertise our business in FY2011; (ii) the increase of approximately HK$0.6 million in rental expenses; and (iii) the increase of other miscellaneous expenses such as insurance and legal and professional fees of approximately HK$0.5 million.

(Charge for)/Credit to impairment losses on loan receivables

The impairment losses charged to profit or loss was approximately HK$42,000 in FY2010 compared to the amount credited to profit or loss of approximately HK$91,000 in FY2011 due to a higher estimated recoverability rate of our loan receivables.

Finance costs

Finance costs increased by approximately HK$23,000 or 85.2% from approximately HK$27,000 in FY2010 to approximately HK$50,000 in FY2011. This increase was mostly due to the increased amount of bank loans and overdrafts and the increase of finance charges on obligations under finance leases in relation to the acquisition of a motor vehicle in FY2011.

Income tax expenses

Our Group's income tax expenses increased slightly by approximately HK$0.6 million or 14.6% from approximately HK$4.1 million in FY2010 to approximately HK$4.7 million in FY2011. This increase was mainly due to the increase in our taxable profit in FY2011.

Profit and total comprehensive income for the year

As a result of the foregoings, our profit and total comprehensive income for the year increased by approximately HK$3.4 million or 16.8%, from approximately HK$20.2 million in FY2010 to approximately HK$23.6 million in FY2011.

Net profit margin

We recorded relatively stable net profit margin in FY2010 and FY2011 which amounted to approximately 43.3% and 43.1%, respectively.

Net interest margin

The net interest margin decreased slightly from approximately 41.5% in FY2010 to approximately 40.5% in FY2011 as a result of the higher proportion of our interest income earned from mortgage loans in FY2011, from which we generally charged comparatively lower interest rate than that charged on our pawn loans. In FY2010 and FY2011, interest earned on our mortgage loans contributed approximately 0.5% and 1.7% to our total interest income, respectively, due to the expansion of our mortgage loan business. We maintained relatively stable net interest margin for our pawn loan services in FY2010 and FY2011 which amounted to approximately 42.4% and 42.9%, respectively. The net interest margin for our mortgage loan services increased slightly from approximately 9.0% in FY2010 to approximately 9.9% in FY2011, as our mortgage loan services entered into a growing stage in FY2011 after its launch in FY2010, in particular, among the mortgage loans we granted in FY2011, we charged our customers 24.0% per annum for one mortgage loan with loan amount of HK$1.0 million and 13.2% per annum for one mortgage loan with loan amount of approximately HK$0.8 million, while we charged our customers 10.0% per annum and 12.3% per annum, respectively, for the two new mortgage loans we granted in FY2010.

LIQUIDITY AND CAPITAL RESOURCES

Our business operation depends on the sufficiency of funds to support our pawn loan and mortgage loan business. Our source of funds for our operations mainly comes from our internal generated funds, funds from our Shareholders and bank loans and overdrafts. Our primary uses of cash are to extend pawn loans and mortgage loans to our customers and to satisfy our working capital needs. Upon the Listing, our source of funds will be a combination of internal generated funds, bank loans and overdrafts and net proceeds from the Share Offer. The following table is a condensed summary of our combined statements of cash flows for the periods indicated:

	Year ended 28 February 2010	**Year ended 28 February 2011**	**Year ended 29 February 2012**	**Nine months ended 30 November 2012**
	HK$	*HK$*	*HK$*	*HK$*
Net cash generated from/(used in) operating activities	15,523,204	(10,687,299)	7,969,869	(20,574,563)
Net cash (used in)/generated from investing activities	(90,921)	357,235	(241,071)	(577,937)
Net cash (used in)/generated financing activities	(13,720,287)	2,003,928	(522,967)	18,183,296
Net increase/(decrease) in cash and cash equivalents	1,711,996	(8,326,136)	7,205,831	(2,969,204)
Cash and cash equivalents at the beginning of year/period	8,979,668	10,691,664	2,365,528	9,571,359
Cash and cash equivalents at the end of year/period	10,691,664	2,365,528	9,571,359	6,602,155

Operating activities

We derive our cash inflow from operations principally from our interest income on our pawn loans and mortgage loans and gain on disposal of repossessed assets. Our cash outflow used in operations is principally for extending pawn loans and mortgage loans to our customers.

For the nine months ended 30 November 2012, our net cash used in operating activities was approximately HK$20.6 million although our profit before taxation was approximately HK$24.4 million. The difference of approximately HK$45.0 million was mainly attributable to the combined effect of (i) an increase in loan receivables in respect of pawn loans and mortgage loans of approximately HK$5.1 million and HK$38.8 million, respectively, mainly due to the increase of our loan portfolio for the same period that was in line with our increase in interest income on pawn loans and mortgage loans and, in particular, 54 new mortgage loans were granted during the nine months ended 30 November 2012 which used up a significant amount of bank balance; and (ii) an increase in repossessed assets of approximately HK$1.6 million.

For FY2012, our net cash generated from operating activities was approximately HK$8.0 million. The net cash from operating activities was mainly attributable to our profit before taxation of approximately HK$40.0 million, which was negatively adjusted primarily for (i) an increase in loan receivables in respect of pawn loans and mortgage loans of approximately HK$15.2 million and HK$10.5 million respectively mainly due to the increase of our loan portfolio for the same period that was in line with our increase in interest income on pawn loans and mortgage loans; (ii) payment of profit tax of approximately HK$4.4 million; and (iii) an increase in trade and other receivable of approximately HK$1.6 million that was in line with the increase in our revenue derived from the disposal of repossessed assets generally as a result of larger pawn loan portfolio.

For FY2011, our net cash used in operating activities was approximately HK$10.7 million although our profit before taxation was approximately HK$28.3 million. The difference of approximately HK$39.0 million was mainly attributable to the combined effect of (i) an increase in loan receivables in respect of pawn loans and mortgage loan of approximately HK$11.7 million and HK$19.3 million respectively mainly due to the increase of our loan portfolio for the same period that was in line with our increase in interest income on pawn loans and, in particular, the fact that four new mortgage loans were granted in late February 2011 which used up a significant amount of bank balance; (ii) payment of profit tax of approximately HK$5.1 million; and (iii) an increase in trade and other receivables of approximately HK$3.2 million that was in line with the increase in our revenue derived from the disposal of repossessed assets generally as a result of larger pawn loan portfolio.

FY2010, our net cash generated from operating activities was approximately HK$15.5 million. The net cash from operating activities was mainly attributable to our profit before taxation of approximately HK$24.3 million, which was negatively adjusted primarily for (i) an increase in loan receivable of HK$4.4 million mainly as a result of our commencement of mortgage loan business in 2009; (ii) an increase in repossessed assets of approximately HK$4.2 million; and (iii) payment of profit tax of approximately HK$3.1 million; and partially offset by an increase in accruals and other payable of approximately HK$2.5 million mainly due to the announcement of bonus for FY2010 that were not yet paid as at the year end date.

Investing activities

We derive our cash inflow from investing activities primarily from proceeds from disposal of fixed assets and trading securities. Our cash outflow used in investing activities is primarily for the purchase of fixed assets.

For the nine months ended 30 November 2012, our net cash used in investing activities was approximately HK$0.6 million, primarily due to payment for the purchase of fixed assets.

For FY2012, our net cash used in investing activities was approximately HK$0.2 million, primarily due to the purchase of a motor vehicle for approximately HK$0.4 million; and partially offset by proceeds from disposal of the old motor vehicle for approximately HK$0.2 million.

For FY2011, our net cash generated from investing activities was approximately HK$0.4 million, primarily due to proceeds from disposal of trading securities for approximately HK$1.1 million; and partially offset by the purchase of leasehold improvement and furniture and fixtures for approximately HK$0.8 million for our Pawnshops and office.

For FY2010, our net cash used in investing activities was approximately HK$0.1 million, primarily due to purchase of a motor vehicle and trading securities for approximately HK$0.2 million and HK$0.1 million respectively; and partially offset by proceeds from disposal of fixed assets for approximately HK$0.2 million.

Cash flows used in financing activities

Our cash outflow used in financing activities is principally due to the payment of dividends, finance lease rentals and amounts due to Shareholders. Our cash inflow generated from financing activity is principally from the fund from Shareholders.

For the nine months ended 30 November 2012, our net cash generated from financing activities was approximately HK$18.2 million, primarily due to (i) an increase in the amount due to Shareholders of approximately HK$3.0 million; and (ii) the proceed from bank loans of HK$18.5 million, partially offset by the payment of dividends of HK$2.9 million.

For FY2012, our net cash used in financing activities was approximately HK$0.5 million, primarily due to (i) a decrease in the amount due to Shareholders of approximately HK$1.7 million; (ii) payment of dividend of HK$1.0 million; and (iii) payment of finance lease rentals of approximately HK$0.1 million partially offset by the proceed from a bank loan of approximately HK$2.5 million.

For FY2011, our net cash generated from financing activities was approximately HK$2.0 million, primarily due to an increase in the amount due to Shareholders of approximately HK$3.2 million and partially offset by the payment of dividend of HK$1.0 million and payment of finance lease rentals of approximately HK$0.1 million.

For FY2010, our net cash used in financing activities was approximately HK$13.7 million, primarily due to (i) a decrease in the amount due to Shareholders of approximately HK$12.5 million; (ii) payment of dividend of HK$1.0 million; and (iii) payment of finance lease rentals of approximately HK$0.2 million.

INDEBTEDNESS

As at 31 January 2013, being the latest practicable date for the purpose of indebtedness statement in this prospectus, our Group had outstanding indebtedness of approximately HK$93.9 million comprising bank loans and overdrafts, obligations under finance leases and amounts due to Shareholders.

As at 28 February 2010, 2011, 29 February 2012, 30 November 2012 and 31 January 2013, our borrowings were set out as follows:

	As at 28 February 2010 *HK$*	As at 28 February 2011 *HK$*	As at 29 February 2012 *HK$*	As at 30 November 2012 *HK$*	As at 31 January 2013 *HK$*
Secured bank overdrafts	645,395	2,290,266	851,737	693,480	598,572
Unsecured bank overdrafts	—	—	—	506,070	3,963,908
Bank loans, secured	—	—	—	16,000,000	39,000,000
Bank loans, unsecured	—	—	2,500,000	5,000,000	5,000,000
	645,395	2,290,266	3,351,737	22,199,550	48,562,480
Obligations under finance lease within 1 year	139,347	147,869	157,845	163,560	164,858
Obligations under finance lease after 1 year but within 5 years	427,148	279,279	353,895	230,500	202,478
Total obligations under finance lease	566,495	427,148	511,740	394,060	367,336
Amounts due to Shareholders	40,507,940	43,700,897	41,958,064	44,963,406	44,963,406
Total indebtedness	41,719,830	46,418,311	45,821,541	67,557,016	93,893,222

During the Track Record Period, the secured bank overdrafts were guaranteed by personal guarantee deposits provided by Mr. Chan Chart Man and Ms. Mui and the unsecured bank loans were jointly guaranteed by Mr. Chan Chart Man and Mr. Edward Chan.

As at 31 January 2013, secured bank overdraft facilities of HK$7.0 million was provided and utilised to the extent of approximately HK$0.6 million and an unsecured bank loan facility of HK$5.0 million was provided and fully utilised.

We intend to increase our debt financing for the purpose of providing our Group with working capital for our business. We had entered into an uncommitted revolving term loan facility with a bank for an amount up to HK$55,000,000 or 80% of the aggregate principal amount of loan receivables from customers in respect of our first mortgage loan services, whichever is lower. As at 31 January 2013, the available uncommitted banking facility after taking into consideration of the drawdown was approximately HK$0.1 million which was secured by loan receivables of the Group with a carrying value of approximately HK$48.9 million. The drawdown of the loan facility is subject to, amongst others, the bank being satisfied with the security to be provided and the execution of the security documentation between the bank and us. Mr. Chan Chart Man and Mr. Edward Chan act as guarantors to such facility. We had applied to the said bank for the termination of the personal guarantees provided by them and replace such guarantees with the corporate guarantee on similar terms to be provided by our Company upon the Listing and the said bank has provided their consent in this regard.

We have been granted by a bank an unsecured overdraft facility in the amount of HK$15.0 million in September 2012 which was utilised to the extent of approximately HK$4.0 million as at 31 January 2013, whereby Mr. Chan Chart Man and Mr. Edward Chan act as guarantors to such facility. We have informed the said bank that the guarantee provided by Mr. Chan Chart Man and Mr. Edward Chan shall be released and replaced by a corporate guarantee to be given by the Company upon Listing and the said bank has provided their consent in this regard.

We have also been granted by a bank a term loan facility in the amount of HK$8.76 million in February 2013 to finance our profit tax payment which was fully utilised as at the Latest Practicable Date, whereby Mr. Chan Chart Man and Mr. Edward Chan act as guarantors to such facility. We have informed the said bank that the guarantee provided by Mr. Chan Chart Man and Mr. Edward Chan shall be released and replaced by a corporate guarantee to be given by the Company upon Listing and the said bank has provided their consent in this regard.

We are in the course of negotiating with other banks for the provision of other financial resources which will be guaranteed by our Company upon Listing. Our Directors consider that the facilities mentioned above will further enhance our cash position and liquidity.

Our interest-bearing bank borrowings were on an increasing trend during the Track Record Period as we had increased the usage of such to reduce our reliance on funds from our Shareholders.

For details of obligations under finance leases, please refer to the paragraph headed "Contractual commitments" in this section.

As at 31 January 2013, the amounts due to Shareholders were unsecured, interest free and had been fully capitalised as at the Latest Practicable Date.

Except as disclosed above, we did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as at 31 January 2013. Our Directors confirmed that there has not been any material change in our indebtedness since 31 January 2013.

Our Directors confirmed that we had not experienced difficulties in meeting obligations during the Track Record Period and none of our Group's bank overdrafts and bank loan facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

CAPITAL EXPENDITURES

During the Track Record Period, our Group's capital expenditures have principally consisted of expenditures on leasehold improvements, furniture and fixtures and motor vehicles. For each of FY2010, FY2011, FY2012 and the nine months ended 30 November 2012, we incurred capital expenditures in the amounts of approximately HK$0.4 million, HK$0.9 million, HK$0.6 million and HK$0.7 million, respectively.

CONTRACTUAL COMMITMENTS

Operating lease commitments

As at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	As at 28 February 2010	**As at 28 February 2011**	**As at 29 February 2012**	**As at 30 November 2012**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	4,556,108	5,715,065	5,479,110	7,309,505
After one year but within five years	10,298,789	10,443,802	5,023,499	6,639,125
	14,854,897	16,158,867	10,502,609	13,948,630

Our Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years. None of the leases includes contingent rentals.

Finance lease commitments

As at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, our Group had obligations under finance leases repayable as follows:

	As at 28 February 2010		As at 28 February 2011		As at 29 February 2012		As at 30 November 2012	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Within 1 year	139,347	167,400	147,869	167,400	157,845	178,752	163,560	178,752
After 1 year but within 5 years	427,148	460,350	279,279	292,950	353,895	372,400	230,500	238,335
	566,495	627,750	427,148	460,350	511,740	551,152	394,060	417,087
Less: Total future interest expenses		(61,255)		(33,202)		(39,412)		(23,027)
Present value of lease obligations		566,495		427,148		511,740		394,060

The finance leases are for the purchases of motor vehicles under finance leases. As at the Latest Practicable Date, we have one motor vehicle held under finance lease with lease term expiring 2015 and carrying a fixed interest rate at 2.5% per annum.

NET CURRENT ASSETS AND LIABILITIES

The table below sets out selected information for our current assets and current liabilities as at 28 February 2010, 2011, 29 February 2012, 30 November 2012 and 31 January 2013:

	As at 28 February 2010	As at 28 February 2011	As at 29 February 2012	As at 30 November 2012	As at 31 January 2013
	HK$	*HK$*	*HK$*	*HK$*	*HK$* *(unaudited)*
Current assets					
Repossessed assets	8,306,972	6,812,659	6,869,020	8,479,716	5,630,112
Loan receivables	92,747,678	124,314,886	144,350,102	170,880,511	189,707,156
Trade and other receivables	11,693,201	14,918,970	16,533,870	15,520,214	16,019,845
Trading securities	1,019,723	4,687	3,789	—	—
Cash and cash equivalents	11,337,059	4,655,794	10,423,096	7,801,705	11,990,270
	125,104,633	150,706,996	178,179,877	202,682,146	223,347,383
Current liabilities					
Accruals and other payables	4,592,642	3,206,552	2,427,606	7,835,238	2,987,641
Bank loans and overdrafts	645,395	2,290,266	3,351,737	22,199,550	48,562,480
Obligations under finance leases	139,347	147,869	157,845	163,560	164,858
Current taxation	1,620,449	1,083,538	3,208,033	7,241,558	4,786,762
	6,997,833	6,728,225	9,145,221	37,439,906	56,501,741
Net current assets	118,106,800	143,978,771	169,034,656	165,242,240	166,845,642

Net current assets increased from approximately HK$118.1 million as at 28 February 2010 to approximately HK$144.0 million as at 28 February 2011 and further increased to approximately HK$169.0 million as at 29 February 2012, primarily due to the increase in loan receivables from approximately HK$92.7 million as at 28 February 2010 to approximately HK$124.3 million as at 28 February 2011 and further increased to approximately HK$144.4 million as at 29 February 2012, mainly attributable to the substantial expansion of our mortgage loan business since its commencement in June 2009 and the continuous increase in our pawn loan portfolio. The relatively lower level of cash as at 28 February 2011 was due to the fact that four mortgage loans amounted to approximately HK$10.5 million in aggregate were granted in the late February 2011 which used up a significant amount of bank balance. Our net current assets remained relatively stable at approximately HK$169.0 million as at 29 February 2012 and approximately HK$165.2 million as at 30 November 2012, as our loan receivables increased by approximately HK$26.5 million from approximately HK$144.4 million to approximately HK$170.9 million, whereas our bank loans and overdrafts during the same period also increased by approximately HK$18.8 million from approximately HK$3.4 million to approximately HK$22.2 million. Our net current assets remained relatively stable at approximately HK$166.8 million as at 31 January 2013. For further information on the current assets and current liabilities, please refer to the relevant paragraphs below in this section.

Our bank loans and overdrafts increased from approximately HK$0.6 million as at 28 February 2010 to approximately HK$2.3 million as at 28 February 2011 and further increased to approximately HK$3.4 million as at 29 February 2012 and approximately HK$22.2 million as at 30 November 2012 primarily due to our increasing utilisation of bank loans and overdrafts to finance the expansion of our pawn loan and mortgage loan businesses.

CERTAIN BALANCE SHEET ITEMS

Loan receivables

Our loan receivables were primarily related to our pawn loans and mortgage loans. A breakdown of our loan receivables are as follows:

	As at 28 February 2010	**As at 28 February 2011**	**As at 29 February 2012**	**As at 30 November 2012**
	HK$	*HK$*	*HK$*	*HK$*
Pawn loans	91,057,200	102,793,430	118,017,870	123,087,160
Mortgages	2,900,000	22,193,893	32,644,515	71,416,266
Unsecured loans	600,000	600,000	485,208	—
Gross loan receivables	94,557,200	125,587,323	151,147,593	194,503,426
Less: Impairment allowance				
— Individually assessed	—	—	(139,170)	(66,065)
— Collectively assessed	(209,522)	(118,132)	(55,391)	(127,559)
	94,347,678	125,469,191	150,953,032	194,309,802
Current portion included under current assets	92,747,678	124,314,886	144,350,102	170,880,511
Amounts due after one year included under non-current assets	1,600,000	1,154,305	6,602,930	23,429,291

Our net loan receivables balance increased by approximately 33.1% from approximately HK$94.3 million as at 28 February 2010 to approximately HK$125.5 million as at 28 February 2011 mainly due to our expansion of mortgage business in FY2011 since its commencement in June 2009. Our gross loan receivables balance relating to our mortgage business increased from approximately HK$2.9 million as at 28 February 2010 to approximately HK$22.2 million as at 28 February 2011, representing an increase of approximately HK$19.3 million or 665.5%. In FY2011, we granted a total number of 12 new mortgage loans with an aggregated loan amount of approximately HK$23.2 million, and the total outstanding receivable amounted to approximately HK$22.2 million as at 28 February 2011. All of our 2 new mortgage loans granted in FY2010 with a total outstanding gross loan receivable amount of HK$2.9 million as at 28 February 2010 were settled by our customers in FY2011. The increase in our loan receivables as at 28 February 2011 was also attributable to the increase in our gross loan receivables balance relating to our pawn loan business from approximately HK$91.1 million as at 28 February 2010 to approximately HK$102.8 million as at 28 February 2011, representing an increase of approximately HK$11.7 million or 12.8%, due to the expansion of our pawn loan portfolio. The aggregated amount of pawn loans granted by us increased from approximately HK$361.4 million in FY2010 to approximately HK$413.8 million in FY2011, representing an increase of approximately HK$52.4 million or 14.5%.

Our gross loan receivable related to unsecured loans remained unchanged as at 28 February 2011 as compared to that as at 28 February 2010 since the relevant loans were not settled during the same period.

As at 29 February 2012, our net loan receivables balance increased further to approximately HK$151.0 million compared with our net loan receivables balance of approximately HK$125.5 million as at 28 February 2011, representing an increase of approximately HK$25.5 million or 20.3%. Such increase was mainly attributable to the further expansion in our mortgage business and the continued increase in our pawn loan portfolio. In FY2012, we granted a total number of 31 new mortgage loans with an aggregated loan amount of approximately HK$38.3 million, and the total outstanding gross loan receivable amounted to approximately HK$31.1 million as at 29 February 2012. Most of the mortgage loans granted in FY2011 with a total outstanding gross loan receivable amount of approximately HK$22.2 million as at 28 February 2011 mentioned above were settled by our customers as at 29 February 2012. Similar to FY2011, the increase in our loan receivables as at 29 February 2012 was also attributable to the increase in our gross loan receivables balance relating to our pawn loan business from approximately HK$102.8 million as at 28 February 2011 to approximately HK$118.0 million as at 29 February 2012, representing an increase of approximately HK$15.2 million or 14.8%, due to the increase in our pawn loan portfolio. The aggregated amount of pawn loans granted by us increased from approximately HK$413.8 million in FY2011 to approximately HK$513.1 million in FY2012 representing an increase of approximately HK$99.3 million or 24.0%.

Our gross loan receivables related to our unsecured loans decreased to approximately HK$0.5 million as at 29 February 2012 from approximately HK$0.6 million as at 28 February 2011 due to the partial settlement of certain balances during the same period.

As at 30 November 2012, our net loan receivables balance increased further to approximately HK$194.3 million compared with our net loan receivables balance of approximately HK$151.0 million as at 29 February 2012, representing an increase of approximately HK$43.3 million or 28.7%. Such increase was mainly attributable to an increase in our gross loan receivables balance relating to our mortgage business from approximately HK$32.6 million as at 29 February 2012 to approximately HK$71.4 million as at 30 November 2012, representing an increase of approximately HK$38.8 million or 119.0%. In the nine months ended 30 November 2012, we granted a total number of 54 new mortgage loans with an aggregated loan amount of approximately HK$67.0 million, and the total outstanding gross loan receivables amounted to approximately HK$63.9 million as at 30 November 2012. Of the mortgage loans granted in previous years with a total outstanding gross loan receivables of approximately HK$32.6 million as at 29 February 2012 mentioned above, approximately HK$7.5 million remained outstanding as at 30 November 2012. The increase in our loan receivables as at 30 November 2012 was also attributable to the increase in our gross loan receivables balance relating to our pawn loan business from approximately HK$118.0 million as at 29 February 2012 to approximately HK$123.1 million as at 30 November 2012, representing an increase of approximately HK$5.1 million or 4.3%, resulted from the expansion of our pawn loan portfolio.

Our gross loan receivables related to our unsecured loans decreased from approximately HK$0.5 million as at 29 February 2012 to nil as at 30 November 2012 and as at the Latest Practicable Date.

The following table sets out the aging analysis of our gross loan receivables as at the end of each year/period during the Track Record Period:

	28 February 2010			28 February 2011			29 February 2012			30 November 2012		
	Pawn loans	Mortgages	Unsecured loans	Pawn loans	Mortgages	Unsecured loans	Pawn loans	Mortgages	Unsecured loans	Pawn loans	Mortgages	Unsecured loans
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Neither past due nor impaired	88,260,550	2,900,000	600,000	99,466,000	22,193,893	600,000	114,782,170	32,644,515	485,208	119,675,860	71,416,266	—
Less than 1 month past due	2,398,250	—	—	2,538,580	—	—	2,632,000	—	—	2,746,450	—	—
1 to 3 months past due	398,400	—	—	788,850	—	—	603,700	—	—	664,850	—	—
	91,057,200	2,900,000	600,000	102,793,430	22,193,893	600,000	118,017,870	32,644,515	485,208	123,087,160	71,416,266	—

Our gross loan receivables that were past due as at the end of each year/period during the Track Record Period were all related to our pawn loan business. At our sole discretion, a grace period of up to six weeks may be granted to our pawn loan customers after the end of the relevant loan period during which they may be allowed to renew the pawn loans and/or redeem the collaterals. Our Directors are of the opinion that we do not make provision for impairment losses in respect of these balances solely because they are past due as we are entitled to dispose the relevant collaterals to settle the outstanding balances. In assessing the need for impairment allowances, we consider historical trends of factors such as credit quality, portfolio size, concentration and other economic factors. Please refer to the section headed "Critical Accounting Policies and Estimates — Impairment of Financial Assets" in this section for more details of the assessment of the impairment of loans receivables.

All renewed loans and the respective loan receivables amount were recorded as new loans under "neither past due nor impaired" in the ageing analysis as we issued new tickets or loan agreements to our customers when they renew their loans.

Out of the approximately HK$194.5 million of our gross loan receivables as at 30 November 2012, approximately HK$47.0 million, HK$37.0 million and HK$11.9 million had been subsequently renewed, collected or offset by the possession of collaterals, respectively, as at the Latest Practicable Date.

Trade and other receivables

Our trade and other receivables as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012 were approximately HK$11.7 million, HK$14.9 million, HK$16.5 million and HK$15.5 million respectively, of which a breakdown is set out below:

	As at 28 February 2010	**As at 28 February 2011**	**As at 29 February 2012**	**As at 30 November 2012**
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	346,000	1,523,430	2,243,050	672,400
Interest receivables	7,604,625	8,542,088	9,589,986	10,599,311
Deposits and payments in advance	1,594,760	1,654,622	1,709,334	1,943,570
Amounts due from related companies	100,000	2,992,452	2,890,000	—
Amount due from immediate holding company	—	—	—	6,083
Prepaid listing expenses	—	—	—	2,197,350
Other assets	2,047,816	206,378	101,500	101,500
	11,693,201	14,918,970	16,533,870	15,520,214

Our trade receivables include our receivables due from the second-hand product dealers when we dispose repossessed assets and customers who procured luxury goods from us. Trade receivables increased from approximately HK$0.3 million as at 28 February 2010 to approximately HK$1.5 million as at 28 February 2011 and further increased to HK$2.2 million as at 29 February 2012, which was in line with the increase in our revenue attributable to the gain on disposal of repossessed assets mainly due to our increased pawn loan portfolio. Trade receivables are due within 60 days from the date of billing. All of the trade and other receivables were not impaired as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012 and expected to be recovered within one year.

The ageing analysis of trade receivables is as follows:

	As at 28 February 2010 *HK$*	**As at 28 February 2011** *HK$*	**As at 29 February 2012** *HK$*	**As at 30 November 2012** *HK$*
Neither past due nor impaired	346,000	1,523,430	2,243,050	349,100
Less than 1 month due	—	—	—	—
1 to 3 months past due	—	—	—	323,300
	346,000	1,523,430	2,243,050	672,400

Trade receivables that were past due but not impaired relate to receivable from one second-hand product dealer and the amount had been subsequently settled as at the Latest Practicable Date. Of our trade receivables as at 30 November 2012, approximately HK$0.7 million had been subsequently settled as at the Latest Practicable Date.

Our interest receivables were approximately HK$7.6 million, HK$8.5 million, HK$9.6 million and HK$10.6 million as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, respectively, which mainly represented the interest income on the loan receivables related to pawn loans and mortgage loans. Our increase in interest receivables during the Track Record Period was in line with our increase in loan receivables during the same period.

Out of our interest receivables which amounted to approximately HK$10.6 million as at 30 November 2012, approximately HK$8.6 million had been subsequently settled as at the Latest Practicable Date.

Our deposits and payments in advance primarily represents the rental deposit and deposit for our electricity and water usage, which increased slightly as at the respective year/period end.

Amounts due from related companies represent the receivables derived from our loans to our related parties. Such loans were fully settled as at 30 November 2012. Amounts due from immediate holding company had been subsequently settled prior to the Listing. Please also refer to the paragraph headed "Related party transactions" below.

Other assets comprise primarily luxury goods such as watches and jewellery for trading. We ceased the procurement of luxury goods for trading from second-hand product dealers as at the Latest Practicable Date.

Repossessed assets

Repossessed assets refers to the collateral which has become our property due to the default in repayment of the pawn loans granted by us and amounted to approximately HK$8.3 million, HK$6.8 million, HK$6.9 million and HK$8.5 million as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012. We usually dispose the underlying collaterals in the following month after our customers default in their repayment of the pawn loans. At our sole discretion, a grace period of up to six weeks may be granted to our pawn loan customers and we will dispose the underlying collaterals after such grace period.

Of the approximately HK$8.5 million of the repossessed assets as at 30 November 2012, approximately HK$1.3 million remained unsold as at the Latest Practicable Date. The majority of the unsold repossessed assets were being seized by the police for investigation.

Accruals and other payables

Our accruals and other payables primarily consist of accrued expenses, provision for long services payment, and other payable and deposit received. Our accruals and other payables decreased by approximately HK$1.4 million, from approximately HK$4.6 million as at 28 February 2010 to approximately HK$3.2 million as at 28 February 2011. The amount decreased further by approximately HK$0.8 million, from approximately HK$3.2 million as at 28 February 2011 to approximately HK$2.4 million as at 29 February 2012, which was mainly due to the decrease in accrued expenses netting off the increase in other payable and deposit received. The amount increased by approximately HK$5.4 million to approximately HK$7.8 million as at 30 November 2012, which was mainly due to the increase in accrued expenses by approximately HK$2.4 million and a dividend payable of HK$3.0 million.

The following table sets out the details of our accruals and other payables as at the end of each year/period during the Track Record Period:

	As at 28 February 2010	As at 28 February 2011	As at 29 February 2012	As at 30 November 2012
	HK$	*HK$*	*HK$*	*HK$*
Accrued expenses	3,368,326	1,699,954	576,212	2,926,880
Provision for long services payment	238,461	254,104	306,382	558,840
Dividend payable	—	—	—	3,000,000
Other payable and deposit received	985,855	1,252,494	1,545,012	1,349,518
	4,592,642	3,206,552	2,427,606	7,835,238

Accrued expenses, which included mainly accruals of bonus, directors' remuneration, staff salaries and audit and accounting fees, amounted to approximately HK$3.4 million, HK$1.7 million, HK$0.6 million and HK$2.9 million as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, respectively. The decrease in accrued expenses from 28 February 2010 to 29 February 2012 was mainly due to the decrease of accrued directors' emolument and bonus, which was in line with the decrease of relevant expenses during the respective years, while the increase from 29 February 2012 to 30 November 2012 was mainly due to (i) the increase in the unpaid audit and accounting fees by approximately HK$0.2 million; and (ii) the increase in the accruals for bonus by approximately HK$1.2 million.

Other payable and deposit received, which included mainly surplus on disposal of collaterals not having been redeemed relating to pawn loans granted under our Money Lenders Licence that is within the statutory limitation period, deposits received and provision for re-instatement cost, amounted to approximately HK$1.0 million, HK$1.3 million, HK$1.5 million and HK$1.3 million as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, respectively. Such increase from the amount as at 28 February 2010 to the amount as at 29 February 2012 was mainly resulted from the surplus on disposal of collaterals not having been redeemed relating to pawn loans granted under our Money Lenders Licence, which was in line with the increase in the amount of pawn loans granted under our Money Lenders Licence during the respective years, while the decrease by approximately HK$0.2 million as at 30 November 2012 was mainly due to the recognition of income relating to surplus mentioned above due to expiry of the statutory limitation period.

Amounts due to Shareholders

Amounts due to the Shareholders were approximately HK$40.5 million, HK$43.7 million, HK$42.0 million and HK$45.0 million as at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, respectively. Such balances were non-trade in nature, unsecured, interest-free and not repayable within one year. The balances of amounts due to shareholders have been subsequently settled by the issuance of ordinary shares of a subsidiary of our Company prior to the Listing.

Contingent liabilities

As at the Latest Practicable Date, our Group had no material contingent liabilities and was not involved in any material legal proceedings. Our Directors are not aware of any pending or potential material legal proceedings involving our Group. If our Group is involved in such material legal proceedings, our Group will record contingency loss when, based on information then available, it is likely that a loss will incur and the amount of loss can be reasonable estimated.

KEY FINANCIAL RATIOS

	As at			
	28 February 2010	**28 February 2011**	**29 February 2012**	**30 November 2012**
Current ratio(1)	18x	22x	19x	5x
Gearing ratio(2)	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 2011** *(unaudited)*	**30 November 2012**
Return on total assets(3)	15.8%	15.4%	17.9%	13.2%	8.4%
Return on equity(4)	25.3%	23.0%	24.7%	19.4%	13.3%

Notes:

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

(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.

Current ratio

Our Group's current ratio increased from approximately 18 times as at 28 February 2010 to approximately 22 times as at 28 February 2011, which was mainly due to an increase of our current loan receivables by approximately 34.0%, from approximately HK$92.7 million as at 28 February 2010 to approximately HK$124.3 million as at 28 February 2011 as a result of our increased loan portfolio that was mainly financed by funds from Shareholders which were classified as non-current liabilities. The funds from Shareholders increased by approximately HK$3.2 million, from approximately HK$40.5 million as at 28 February 2010 to approximately HK$43.7 million as at 28 February 2011.

Our Group's current ratio decreased from approximately 22 times as at 28 February 2011 to approximately 19 times as at 29 February 2012, which was mainly due to an increase in current taxation from approximately HK$1.1 million as at 28 February 2011 to approximately HK$3.2 million as at 29 February 2012 or approximately 190.9% as a result of our increased profit before taxation and current bank loans and overdrafts from approximately HK$2.3 million as at 28 February 2011 to approximately HK$3.4 million as at 29 February 2012 or approximately 47.8%.

Our Group's current ratio decreased from approximately 19 times as at 29 February 2012 to approximately 5 times as at 30 November 2012, which was mainly due to the increase in accruals and other payables from approximately HK$2.4 million as at 29 February 2012 to approximately HK$7.8 million as at 30 November 2012 or approximately 225.0% and the increase in bank loans and overdrafts from approximately HK$3.4 million as at 29 February 2012 to approximately HK$22.2 million as at 30 November 2012 or approximately 552.9%.

Gearing ratio

Our gearing ratio decreased from approximately 52.2% as at 28 February 2010 to approximately 45.3% as at 28 February 2011, due to an increase in total equity from approximately HK$80.0 million as at 28 February 2010 to approximately HK$102.6 million as at 28 February 2011, representing an increase of approximately HK$22.6 million or 28.3%, whereas the total borrowing increased from approximately HK$41.7 million as at 28 February 2010 to approximately HK$46.4 million as at 28 February 2011, representing an increase of approximately HK$4.7 million or 11.3%.

Our gearing ratio further decreased to approximately 34.0% as at 29 February 2012 due to an increase in total equity from approximately HK$102.6 million as at 28 February 2011 to approximately HK$134.9 million as at 29 February 2012, representing an increase of approximately HK$32.3 million or 31.5%, whereas the total borrowing decreased from approximately HK$46.4 million as at 28 February 2011 to approximately HK$45.8 million as at 29 February 2012, representing a decrease of approximately HK$0.6 million or 1.3%.

Our gearing ratio increased from approximately 34.0% as at 29 February 2012 to approximately 46.5% as at 30 November 2012 due to an increase in total borrowing increased from approximately HK$45.8 million as at 29 February 2012 to approximately HK$67.6 million as at 30 November 2012, representing an increase of approximately HK$21.8 million or 47.6%, whereas the total equity increased from approximately HK$134.9 million as at 29 February 2012 to approximately HK$145.4 million as at 30 November 2012, representing an increase of approximately HK$10.5 million or 7.8%.

Return on total assets

Our return on total assets decreased from approximately 15.8% in FY2010 to approximately 15.4% in FY2011, which was mainly due to the increase of our total assets by approximately 19.9% from approximately HK$127.9 million as at 28 February 2010 to approximately HK$153.3 million as at 28 February 2011 while our net profit was increased by a less-than-proportionate percentage of approximately 16.8% from approximately HK$20.2 million in FY2010 to approximately HK$23.6 million in FY2011. That was mainly because we only commenced the full operation of our mortgage loan business in July 2010, and in particular, only generated a small amount of interest income in FY2011 from the four mortgage loans amounted to approximately HK$10.5 million granted in late-February 2011 that were still within the loan period as at 28 February 2011.

Our return on total assets increased from approximately 15.4% in FY2011 to approximately 17.9% in FY2012, which was mainly due to the increase of our total assets by approximately 21.6% from approximately HK$153.3 million as at 28 February 2011 to approximately HK$186.4 million as at 29 February 2012 while our net profit was increased by a more-than-proportionate percentage of approximately 41.5% from approximately HK$23.6 million in FY2011 to approximately HK$33.4 million in FY2012. That was mainly because of our significant increase in the interest income earned in our mortgage loan services from approximately HK$0.8 million in FY2011 to approximately HK$3.2 million in FY2012, representing an increase of approximately 300.0%, as a result of the full year operation and continuous expansion of our mortgage loan business in FY2012.

Our return on total assets decreased from approximately 13.2% in the nine months ended 30 November 2011 to approximately 8.4% in the nine months ended 30 November 2012, which was mainly due to our listing expenses of approximately HK$6.8 million incurred only in the nine months ended 30 November 2012 which decreased our net profit recorded in the same period.

Return on equity

Return on equity decreased from approximately 25.3% in FY2010 to approximately 23.0% in FY2011, which was mainly due to the increase of our total equity by approximately 28.3% from approximately HK$80.0 million as at 28 February 2010 to approximately HK$102.6 million as at 28 February 2011 while our net profit was increased by a less-than-proportionate percentage of approximately 16.8% as mentioned above. That was mainly due to same reason mentioned above that we only commenced the full operation of our mortgage business in July 2010, and in particular, only generated a small amount of interest income in FY2011 from the four mortgage loans granted in late-February 2011 that were still within the loan period as at 28 February 2011.

Return on equity increased from approximately 23.0% in FY2011 to approximately 24.7% in FY2012, which was mainly due to the increase of our total equity by approximately 31.5% from approximately HK$102.6 million as at 28 February 2011 to approximately HK$134.9 million as at 29 February 2012 while our net profit was increased by a more-than-proportionate percentage of approximately 41.5% from approximately HK$23.6 million in FY2011 to approximately HK$33.4 million in FY2012. That was mainly due to the same reason mentioned above that we had a significant increase in the interest income earned in our mortgage loan service as a result of the full year operation and continuous expansion of our mortgage loan business in FY2012.

Return on equity decreased from approximately 19.4% in the nine months ended 30 November 2011 to approximately 13.3% in the nine months ended 30 November 2012, which was mainly due to our listing expenses of approximately HK$6.8 million incurred only in the nine months ended 30 November 2012 which decreased our net profit recorded in the same period.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including banking facilities and other internal resources, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

GUARANTEE PROVIDED TO OUR GROUP BY CONTROLLING SHAREHOLDERS

Banking facilities

As at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, Mr. Chan Chart Man and Ms. Mui provided personal guarantee deposits in an aggregated amount of approximately HK$7.5 million, HK$7.5 million, HK$8.0 million and HK$7.0 million, respectively, for the benefit of our Group in respect of our bank overdraft facilities of HK$7.5 million, HK$7.5 million, HK$8.0 million and HK$7.0 million respectively.

As at 29 February 2012 and 30 November 2012, Mr. Chan Chart Man and Mr. Edward Chan jointly provided personal guarantees amounting to HK$5.0 million and HK$75.0 million, respectively, for the benefit of our Group in respect of our bank loan facilities.

We have also been granted by a bank a term loan facility in the amount of HK$8.76 million in February 2013 to finance our profit tax payment, whereby Mr. Chan Chart Man and Mr. Edward Chan act as guarantors to such facility.

All of the above guarantees will be released upon the Listing.

Rental expenses

As at 28 February 2010, 2011, 29 February 2012 and 30 November 2012, Mr. Chan Chart Man and Mr. Edward Chan provided personal guarantee for the benefit of our Group in respect of the rental expenses of three of our pawnshops. The aggregate amount of which during the Trade Record Period was approximately HK$8.6 million, HK$6.7 million, HK$3.4 million and HK$4.9 million respectively. Under the term of the rental agreements of relevant pawnshops, Mr. Chan Chart Man and Mr. Edward Chan will indemnify the landlord upon failure of our Group to pay the rental expenses.

Please refer to the section headed "Notifiable transactions and connected transactions" in this prospectus for further details.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of our Group attributable to the equity holders of the Company as of 30 November 2012 as if the Share Offer had been completed on 30 November 2012.

This unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 30 November 2012 or at any future dates following the Share Offer. It is prepared based on the combined net assets of our Group as at 30 November 2012 as derived from our combined financial information set forth in the Accountants' Report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets does not form part of the Accountants' Report.

	Combined net tangible assets as at 30 November 2012	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*	*(Notes 3 and 4)*	*(Notes 3, 4 and 5)*
Based on an Offer Price of HK$0.75 per Share	145,424	52,801	198,225	0.50
Based on an Offer Price of HK$0.98 per Share	145,424	75,224	220,648	0.55

Notes:

(1) The combined net tangible assets as at 30 November 2012 is derived from the combined financial information set forth in the Accountants' Report set out in Appendix I to this prospectus, which is based on the combined net assets of our Group of approximately HK$145,424,000.

(2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK$0.75 and HK$0.98 per Share after deduction of the underwriting fees and other related expenses payable by our Company.

(3) The unaudited pro forma adjusted net tangible assets do not take into account the effect of the settlement of the amounts due to Shareholders by the issuance of ordinary shares of a subsidiary of our Company prior to the listing of the Shares on the Stock Exchange.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 November 2012.

(5) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs 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.

DISTRIBUTABLE RESERVES

The aggregate amount of the distributable reserves for FY2010, FY2011, FY2012 and the nine months ended 30 November 2012 of our Group were HK$67.9 million, HK$90.5 million, HK$122.8 million and HK$133.3 million respectively.

DIVIDEND POLICY

For each of FY2010, FY2011, FY2012 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.

After completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

Subject to the factors described above, we currently intend to recommend at the annual general meetings of our Company that dividends of no less than 30% of our net profit for each year after the Listing (that is, for the avoidance of doubt, commencing from the year ending 28 February 2014) would be available for distribution to shareholders after the Share Offer.

Cash dividends on our shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our shareholders by any means which our Directors deem legal, fair and practicable. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Credit risk management

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 28 February 2010, 2011, 29 February 2012 and 30 November 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Our Group's credit risk are primarily attributable to our loan receivables. In order to minimise the credit risk, our Group have established policies and systems for the monitoring and control of credit risk. Please refer to Appendix I to this prospectus for further details.

Market risk management

Our Group's activities expose it primarily to the financial risks of changes in interest rate, foreign exchange currency rates and equity price risk.

Market risk exposures are unsecured using sensitively analysis there has been no change to our Group's exposure to market risks or the currencies in which it manages and measure the risk throughout for relevant period. Please refer to Appendix I to this prospectus for further details.

Liquidity risk management

Our Group's policy is to regularly monitor our liquidity requirements and our compliance with loan/borrowing covenants, to ensure it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and long term. Please refer to Appendix I of the Prospectus for further details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances which, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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.