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Oi Wah Pawnshop Credit Holdings Limited

靚華押業信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1319)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2021, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

		Six months ended		Change
		31 August	2020	
		2021	2020	
		HK\$'000	HK\$'000	
Revenue		76,201	99,307	-23.3%
Profit before taxation		44,807	63,510	-29.4%
Profit for the period attributable to shareholders		37,611	52,053	-27.7%
Net profit margin		49.4%	52.4%	
Basic earnings per share (in HK cents)		1.9	2.7	
Net interest margin	<i>Note 1</i>	14.8%	13.5%	
For pawn loan services		40.1%	40.5%	
For mortgage loan services		9.8%	10.0%	
		As at	As at	
		31 August	28 February	
		2021	2021	
		HK\$'000	HK\$'000	
Gross loan receivables – principal	<i>Note 2</i>	913,412	934,097	-2.2%
– Pawn receivables of amortised cost		39,320	31,930	
– Pawn receivables of fair value through profit or loss		106,151	100,971	
– Mortgage receivables of amortised cost		767,941	801,196	
Total assets		1,169,194	1,219,492	-4.1%
Total equity		964,189	948,853	1.6%

Note 1: Net interest margin during the period refers to our interest income in respect of our pawn loans and mortgage loans less our finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the period.

Note 2: Under the accounting standard HKFRS 9, pawn loan receivables under the Pawnbrokers Ordinance will be measured at fair value through profit or loss, and pawn loan and mortgage loan receivables under the Money Lenders Ordinance will be measured at amortised cost.

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Oi Wah Pawnshop Credit Holdings Limited (the “**Company**” or “**our Company**”) is pleased to announce the unaudited interim results of our Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the six months ended 31 August 2021, with the comparative figures for the corresponding period in 2020 as follows:

Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

for the six months ended 31 August 2021

(Expressed in Hong Kong dollars)

		Six months ended 31 August	
	<i>Notes</i>	2021	2020
		\$'000	\$'000
		(unaudited)	(unaudited)
Revenue	5	76,201	99,307
Other income	6	1,778	3,349
		<hr/>	<hr/>
Operating income		77,979	102,656
Other operating expenses	7(b)	(24,618)	(25,088)
Charge for impairment losses on loan receivables		(1,200)	(1,200)
		<hr/>	<hr/>
Profit from operations		52,161	76,368
Finance costs	7(a)	(7,354)	(12,858)
		<hr/>	<hr/>
Profit before taxation		44,807	63,510
Income tax	8	(7,196)	(11,457)
		<hr/>	<hr/>
Profit and total comprehensive income for the period attributable to shareholders		37,611	52,053
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (in HK cents)	9	1.9	2.7
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Financial Position

as at 31 August 2021

(Expressed in Hong Kong dollars)

	<i>Notes</i>	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
Non-current assets			
Plant and equipment		1,030	1,220
Right-of-use assets	<i>10</i>	7,530	12,603
Loan receivables	<i>11</i>	85,799	47,040
Other receivables	<i>12</i>	1,100	2,167
Deferred tax assets		1,174	963
		<u>96,633</u>	<u>63,993</u>
Current assets			
Repossessed assets		6,263	6,228
Loan receivables	<i>11</i>	841,180	901,022
Trade and other receivables	<i>12</i>	4,216	2,945
Cash and cash equivalents	<i>13</i>	220,902	245,304
		<u>1,072,561</u>	<u>1,155,499</u>
Current liabilities			
Accruals and other payables	<i>14</i>	5,984	6,162
Bank loans and overdrafts	<i>15</i>	16,880	14,863
Lease liabilities	<i>10</i>	6,181	9,752
Other loans	<i>16</i>	–	23,312
Loans from the immediate holding company	<i>17</i>	47,500	47,500
Debt securities issued	<i>18</i>	41,983	74,967
Tax payable		4,380	2,310
		<u>122,908</u>	<u>178,866</u>
Net current assets		<u>949,653</u>	<u>976,633</u>
Total assets less current liabilities		<u>1,046,286</u>	<u>1,040,626</u>

	<i>Notes</i>	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
Non-current liabilities			
Debt securities issued	<i>18</i>	70,887	87,843
Bank loans	<i>15</i>	9,000	–
Lease liabilities	<i>10</i>	2,210	3,930
		<u>82,097</u>	<u>91,773</u>
NET ASSETS		<u>964,189</u>	<u>948,853</u>
CAPITAL AND RESERVES			
Capital	<i>19</i>	19,300	19,324
Reserves		944,889	929,529
TOTAL EQUITY		<u>964,189</u>	<u>948,853</u>

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 August 2021

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Capital redemption reserve \$'000	Other reserve \$'000	Retained profits \$'000	Total \$'000
At 28 February 2021 and 1 March 2021 (audited)	<u>19,324</u>	<u>15,648</u>	<u>44,963</u>	<u>2,060</u>	<u>12,001</u>	<u>854,857</u>	<u>948,853</u>
Profit and total comprehensive income	-	-	-	-	-	37,611	37,611
Purchase of own shares	(24)	(632)	-	24	-	-	(632)
Special dividend declared and paid in respect of previous year (note 19(b))	-	-	-	-	-	(9,275)	(9,275)
Final dividend declared and paid in respect of previous year (note 19(b))	-	-	-	-	-	(12,368)	(12,368)
At 31 August 2021 (unaudited)	<u>19,300</u>	<u>15,016</u>	<u>44,963</u>	<u>2,084</u>	<u>12,001</u>	<u>870,825</u>	<u>964,189</u>
At 29 February 2020 and 1 March 2020 (audited)	<u>19,385</u>	<u>55,258</u>	<u>44,963</u>	<u>1,999</u>	<u>12,001</u>	<u>761,713</u>	<u>895,319</u>
Profit and total comprehensive income	-	-	-	-	-	52,053	52,053
Purchase of own shares	(61)	(1,736)	-	61	-	-	(1,736)
Special dividend declared and paid in respect of previous year (note 19(b))	-	(5,410)	-	-	-	-	(5,410)
Final dividend declared and paid in respect of previous year (note 19(b))	-	(16,812)	-	-	-	-	(16,812)
At 31 August 2020 (unaudited)	<u>19,324</u>	<u>31,300</u>	<u>44,963</u>	<u>2,060</u>	<u>12,001</u>	<u>813,766</u>	<u>923,414</u>

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 August 2021

(Expressed in Hong Kong dollars)

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
Operating activities		
Operating cash flows before changes in working capital	58,209	83,407
Decrease in loan receivables	19,862	160,915
Other cash flows generated from operations	1,231	4,109
	<u>79,302</u>	<u>248,431</u>
Cash generated from operations	79,302	248,431
Hong Kong Profits Tax paid	(5,337)	(7,428)
	<u>73,965</u>	<u>241,003</u>
Net cash generated from operating activities	73,965	241,003
Investing activities		
Payment for the purchase of plant and equipment	(49)	(30)
Other cash flows generated from investing activities	13	–
	<u>(36)</u>	<u>(30)</u>
Net cash used in investing activities	(36)	(30)
Financing activities		
Repayments of debt securities	(50,000)	–
Repayments of other loans	(23,312)	(80,000)
Dividends paid	(21,643)	(22,222)
Repayments of bank loans	(8,946)	(93,595)
Finance costs paid	(8,603)	(12,705)
Repayments of principal on lease liabilities	(4,819)	(5,417)
Payment of purchase of own shares	(632)	(1,736)
Repayments of interest on lease liabilities	(339)	(649)
Repayments of loans from the immediate holding company	–	(5,000)
New bank loans raised	19,544	24,712
	<u>(98,750)</u>	<u>(196,612)</u>
Net cash used in financing activities	(98,750)	(196,612)
Net (decrease) increase in cash and cash equivalents	(24,821)	44,361
Cash and cash equivalents at the beginning of period (note 13)	<u>245,304</u>	<u>55,728</u>
Cash and cash equivalents at the end of period (note 13)	<u>220,483</u>	<u>100,089</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

Oi Wah Pawnshop Credit Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in secured financing business in Hong Kong, including pawn loans and mortgage loans.

2 BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 31 August 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The condensed consolidated financial statements of the Group for the six months ended 31 August 2021 are presented in Hong Kong dollars (“**HK\$**” or “**\$**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (\$’000) except when otherwise indicated.

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for loan receivables at fair value through profit or loss (“**FVPL**”) that are measured at fair values, at the end of each reporting period.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 28 February 2021 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 March 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

In addition, for the year ended 28 February 2021, the Group had early applied 2021 Amendment to HKFRS 16, COVID-19-Related Rent Concession beyond 30 June 2021, which was currently affective for annual reporting periods beginning on or after 1 June 2020, however, in 1 April 2021, the HKICPA extended the effective date for annual period beginning on or after 1 April 2021.

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4 SEGMENT REPORTING

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

5 REVENUE

The principal activities of the Group are engaged in secured financing business in Hong Kong including pawn loans and mortgage loans.

Revenue represents interest income earned on pawn loans and mortgage loans and results on disposal of repossessed assets. The amount of each nature of business of revenue recognised during the period is as follows:

	Six months ended 31 August	
	2021 \$'000 (unaudited)	2020 \$'000 (unaudited)
Revenue from pawn loan business		
– Interest income from pawn loan receivables at FVPL	24,613	24,455
– Interest income from pawn loan receivables calculated using the effective interest method	4,315	4,178
– Gain on disposal of repossessed assets	4,518	4,058
	<u>33,446</u>	<u>32,691</u>
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	42,755	66,616
	<u>42,755</u>	<u>66,616</u>
Total	<u>76,201</u>	<u>99,307</u>

Gain on disposal of repossessed assets is the revenue from contracts with customers within the scope of HKFRS 15 and the timing of recognition is at a point in time. The cost of disposal of repossessed assets for the six months ended 31 August 2021 amounted to HK\$17.0 million (six months ended 31 August 2020: HK\$21.3 million).

The Group's customer base is diversified and does not include any customer with whom transactions have exceeded 10% of the Group's revenue during both periods.

6 OTHER INCOME

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
Credit related fee income	551	1,093
Government subsidy (Note a)	–	1,051
Rental income	518	1,002
COVID-19-related rent concession (Note b)	472	167
Bank interest income	13	–
Others	224	36
	<u>1,778</u>	<u>3,349</u>

Notes:

- (a) During the six months ended 31 August 2020, the Group recognised the COVID-19-related subsidies, of which amounted to approximately HK\$1,051,000 related to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund. Government grants had been recognised as other income on a systematic basis over the periods in which the Group recognised the staff costs for which the government grants were intended to compensate. The Group recognised as other income for the prior period as the Group fulfilled all the relevant granting criteria. No such subsidy received during the period ended 31 August 2021.
- (b) Due to the outbreak of COVID-19, the Group has received rent concessions from lessors in the form of rent reduction. The Group has early adopted Amendments to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 is a lease modification.

7 PROFIT BEFORE TAXATION

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

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
(a) Finance costs		
Interest on debt securities issued	4,642	4,989
Interest on other loans	702	3,501
Interest on loans from the immediate holding company	1,197	2,573
Interest on bank loans and overdrafts	474	1,146
Interest on lease liabilities	339	649
	<u>7,354</u>	<u>12,858</u>
(b) Other operating expenses		
Premises and equipment expenses excluding depreciation		
– rental of premises	1,537	700
– maintenance, repairs and others	532	533
	<u>2,069</u>	<u>1,233</u>
Depreciation of plant and equipment	239	253
Depreciation of right-of-use assets	5,073	5,760
Net losses (gains) on loan receivables at FVPL	21	(7)
Staff costs	12,202	11,671
Advertising expenses	1,370	1,802
Auditor's remuneration	415	415
Legal and professional fees	703	1,650
Others	2,526	2,311
	<u>22,549</u>	<u>23,855</u>
	<u><u>24,618</u></u>	<u><u>25,088</u></u>

8 INCOME TAX

The Group calculates the income tax for the periods using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
Provision for the period		
– Current tax	7,407	10,554
– Under-provision in prior periods	–	967
	<u>7,407</u>	<u>11,521</u>
Deferred taxation	<u>(211)</u>	<u>(64)</u>
	<u><u>7,196</u></u>	<u><u>11,457</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first \$2.0 million of profits of qualifying corporation will be taxed at 8.25%, and profits above \$2.0 million will be taxed at 16.5%. For both periods, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

During the six months ended 31 August 2020, an under provision for Hong Kong Profits Tax was mainly arising from part of the advertising expenses in previous years were subsequently disqualified as deductible expense by Hong Kong Inland Revenue Department.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

9 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the shareholders of the Company is based on the following data:

Earnings

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to shareholders of the Company	<u>37,611</u>	<u>52,053</u>

Weighted average number of ordinary shares

	Six months ended 31 August	
	2021	2020
	Number of shares '000	Number of shares '000
	(unaudited)	(unaudited)
Issued ordinary shares at 1 March	1,932,372	1,938,468
Effect of purchase of own shares (note 19(a))	<u>(190)</u>	<u>(5,164)</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,932,182</u>	<u>1,933,304</u>

The basic earnings per share and the diluted earnings per share are the same as there were no potential dilutive ordinary shares in issue during both periods.

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	31 August	28 February
	2021	2021
	\$'000	\$'000
	(unaudited)	(audited)
Leased properties – buildings	<u>7,530</u>	<u>12,603</u>

The Group has lease arrangements for leased properties. The lease terms are generally ranged from one to five years with fixed lease payments.

During the six months ended 31 August 2021, the Group has subleased part of the leased properties. The Group has classified the sublease as operating lease. During the six months ended 31 August 2021, the Group recognises rental income from subleasing right-of-use assets of approximately HK\$0.5 million (six months ended 31 August 2020: HK\$1.0 million).

Lease liabilities

	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
Current	6,181	9,752
Non-current	2,210	3,930
	<u>8,391</u>	<u>13,682</u>

Rent concessions

During the six months ended 31 August 2021 and 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

These rent concessions occurred as a direct consequence of COVID-19 pandemic, which met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. Accordingly, during the six months ended 31 August 2021, rent concessions totalling approximately HK\$472,000 (six month ended 31 August 2020: HK\$167,000) have been accounted as negative variable lease payments and recognised in the profit or loss, with a corresponding adjustment to the lease liabilities.

Amounts recognised in profit or loss

	Six months ended 31 August	
	2021 \$'000 (unaudited)	2020 \$'000 (unaudited)
Depreciation of right-of-use assets	5,073	5,760
Interest on lease liabilities	339	649
Expenses relating to short-term leases	1,537	700
Rent concession related to COVID-19	(472)	(167)
Income from subleasing right-of-use assets	(518)	(1,002)
	<u>(518)</u>	<u>(1,002)</u>

Others

During the six months ended 31 August 2021, the total cash outflow for leases amount to approximately HK\$6,695,000 (six months ended 31 August 2020: HK\$6,766,000).

11 LOAN RECEIVABLES

	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
Loan receivables at amortised cost:		
– Pawn loans	39,320	31,930
– Accrued interests of pawn loans	533	699
	<u>39,853</u>	<u>32,629</u>
Pawn loan receivables		
– Mortgage loans	767,941	801,196
– Accrued interests of mortgage loans	10,344	9,874
	<u>778,285</u>	<u>811,070</u>
Less: Impairment allowance on mortgage loans – (stage 3)	<u>(6,253)</u>	<u>(5,053)</u>
Net mortgage loan receivables	<u>772,032</u>	<u>806,017</u>
Net loan receivables at amortised cost	<u>811,885</u>	<u>838,646</u>
Loan receivables at FVPL:		
– Pawn loans	<u>115,094</u>	<u>109,416</u>
Total loan receivables	926,979	948,062
Current portion included under current assets	<u>(841,180)</u>	<u>(901,022)</u>
Amounts due after one year included under non-current assets	<u>85,799</u>	<u>47,040</u>

During the six months ended 31 August 2021, impairment losses of approximately HK\$1.2 million (six months ended 31 August 2020: HK\$1.2 million) were recognised as expense in accordance with the expected credit loss model.

Ageing analysis

Ageing analysis of the gross amount of loan receivables is prepared based on contractual due date and not net of loss allowance as follows:

	Pawn loans at amortised cost	Pawn loans at FVPL	Mortgage loans	Total
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
31 August 2021 (unaudited)				
Not past due	39,853	112,513	521,620	673,986
Less than 1 month past due	–	1,734	165,981	167,715
1 to less than 3 months past due	–	343	57,551	57,894
3 to less than 6 months past due	–	504	25,795	26,299
6 months to 1 year past due	–	–	–	–
Over 1 year past due	–	–	7,338	7,338
	<u>39,853</u>	<u>115,094</u>	<u>778,285</u>	<u>933,232</u>
28 February 2021 (audited)				
Not past due	32,124	107,285	503,512	642,921
Less than 1 month past due	505	1,357	241,223	243,085
1 to less than 3 months past due	–	324	36,243	36,567
3 to less than 6 months past due	–	450	–	450
6 months to 1 year past due	–	–	22,754	22,754
Over 1 year past due	–	–	7,338	7,338
	<u>32,629</u>	<u>109,416</u>	<u>811,070</u>	<u>953,115</u>

At 31 August 2021, of these mortgage loans which have been past due for one month or above, except for one mortgage loan receivable amounted to approximately HK\$7.3 million (28 February 2021: HK\$7.3 million) on which an allowance for expected credit loss amounting of approximately HK\$6.3 million (28 February 2021: HK\$5.1 million) had been recognised, the respective valuations of the collaterals can fully cover the outstanding balances of these loans as at the end of reporting periods. In respect of the mortgage loans which have been past due for less than 1 month, the amounts mainly represent occasional delay in repayment and are not an indication of significant deterioration of credit quality of these mortgage loans.

12 TRADE AND OTHER RECEIVABLES

	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
Non-current		
Others	<u>1,100</u>	<u>2,167</u>
Current		
Trade receivables	4	–
Deposits and payments in advance	4,110	2,843
Others	<u>102</u>	<u>102</u>
	<u>4,216</u>	<u>2,945</u>

Trade receivables are due within 60 days from the date of billing. All of the trade and other receivables are not impaired as the expected loss rate is close to zero and are expected to be recovered within one year.

The ageing analysis of trade receivables presented based on invoice date which approximate to the respective revenue recognition dates at the end of the reporting period is as follows:

	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
0-60 days	<u>4</u>	<u>–</u>

Trade receivables that were not past due relate to a wide range of customers for whom there was no recent history of default.

13 CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents comprised the following:

	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
Cash on hand	5,746	6,358
Cash at banks	215,156	238,946
Cash and cash equivalents in the condensed consolidated statement of financial position	220,902	245,304
Bank overdrafts (note 15)	(419)	–
Cash and cash equivalents in the condensed consolidated statement of cash flows	220,483	245,304

14 ACCRUALS AND OTHER PAYABLES

	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
Accrued interest expense	82	1,730
Accrued expenses	4,522	2,711
Provision for long services payment	712	616
Other payable and deposits received	668	1,105
	5,984	6,162

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

15 BANK LOANS AND OVERDRAFTS

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

	31 August 2021 \$'000 (unaudited)	28 February 2021 \$'000 (audited)
Unsecured bank overdrafts (note a)	419	–
Unsecured bank loans (note b)	25,461	14,863
	<hr/>	<hr/>
Total bank loans and overdrafts	25,880	14,863
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current	16,880	14,863
Non-current	9,000	–
	<hr/>	<hr/>
	25,880	14,863
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) At 31 August 2021, unsecured bank overdraft facilities of approximately HK\$41.5 million (28 February 2021: HK\$41.5 million) were provided to the subsidiaries and utilised to the extent as disclosed above. At 31 August 2021, the bank overdrafts carried floating interest rate range from prime rate minus 0.75% to prime rate plus 1.5% per annum with repayment on demand clause.
- (b) At 31 August 2021, a new unsecured bank loan facility of approximately HK\$15.0 million was provided to the Company and the subsidiaries. Together with the existing unsecured bank loan facilities, the total unsecured bank loan facilities of approximately HK\$40.5 million (28 February 2021: HK\$34.4 million) were provided to the Company and the subsidiaries and utilised to the extent as disclosed above. At 31 August 2021, the bank loans carried floating interest rate which ranged from prime rate minus 0.75% to prime rate plus 1.5% per annum and Hong Kong Interbank Offered Rate (“HIBOR”) plus 5.45% per annum (28 February 2021: prime rate minus 0.75% to prime rate plus 1.5% per annum).

At 28 February 2021, uncommitted secured revolving bank loan facility of the lower of HK\$50.0 million and a certain percentage of the aggregate principal amount of the mortgage loan receivables of a subsidiary which are then charged to the banks was obtained. The tenor for the facility ranged from one to six months as selected by the subsidiary. At 28 February 2021, the bank loans carried floating interest rate of one month HIBOR plus 4% per annum and the available uncommitted banking facility after taking into consideration of the drawdown was HK\$50.0 million. At 28 February 2021, the uncommitted secured revolving bank loan facility was secured by certain mortgage loan receivables with a carrying value of approximately HK\$114.5 million. The facility was expired during the period ended 31 August 2021.

During the period ended 31 August 2021 and year ended 28 February 2021, the Group had fulfilled all the financial covenants, if any, under the Group's banking facilities and all banking facilities were guaranteed by the Company (28 February 2021: guaranteed by the Company and secured by certain loan receivables held by the Group).

16 OTHER LOANS

During the six months ended 31 August 2021, the Group obtained uncommitted secured revolving loan facility from an independent third party. The limit of the facility is the lower of HK\$439.0 million (28 February 2021: HK\$439.0 million) and a certain percentage of the aggregate principal amount of the certain mortgage loan receivables of the subsidiaries which are then sub-charged/sub-mortgaged to the independent third party. The facilities are interest-bearing at Hongkong and Shanghai Banking Corporation Limited ("HSBC") prime rate plus 2% per annum (28 February 2021: HSBC prime rate plus 2% per annum) and the tenor for the facilities is one year.

As at 31 August 2021, the available uncommitted loan facility after taking into consideration of the drawdown was HK\$143.0 million (28 February 2021: HK\$128.5 million). The loan facility was secured by certain mortgage loan receivables for the Group with a carrying value of approximately HK\$178.8 million (28 February 2021: HK\$189.8 million).

17 LOANS FROM THE IMMEDIATE HOLDING COMPANY

During the six months ended 31 August 2021, the Group obtained an unsecured revolving loan facility from the immediate holding company with a facility limit of HK\$200.0 million (28 February 2021: HK\$200.0 million). The loans are interest-bearing at 5% per annum (28 February 2021: 5% per annum).

At 31 August 2021, the available loan facility after taking into consideration of the drawdown was approximately HK\$152.5 million (28 February 2021: HK\$152.5 million) and the accrued interest payable as of 31 August 2021 was approximately HK\$31,000 (28 February 2021: HK\$23,000).

18 DEBT SECURITIES ISSUED

	31 August 2021	28 February 2021
	\$'000	\$'000
	(unaudited)	(audited)
Current	41,983	74,967
Non-current	70,887	87,843
	<u>112,870</u>	<u>162,810</u>

The debt securities are unsecured, denominated in HK\$, interest-bearing ranging from 6% to 7% per annum (28 February 2021: 6% to 7% per annum) with interest coupon being paid semi-annually and are matured between 2021 and 2025. All debt securities issued are measured at amortised cost.

During the six months ended 31 August 2021, the Group repaid debt securities on maturity date amounting to HK\$50.0 million (six months ended 31 August 2020: nil).

19 CAPITAL AND DIVIDENDS

(a) Share Capital

	Par value	No of shares	Nominal value of ordinary shares
	\$	'000	\$'000
Authorised:			
At 1 March 2020, 31 August 2020 and 1 March 2021, 31 August 2021	0.01	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
At 1 March 2020 (audited)	0.01	1,938,468	19,385
Purchase of own shares (note)	0.01	<u>(6,096)</u>	<u>(61)</u>
At 28 February 2021 and 1 March 2021 (audited)	0.01	1,932,372	19,324
Purchase of own shares (note)	0.01	<u>(2,344)</u>	<u>(24)</u>
31 August 2021 (unaudited)	0.01	<u>1,930,028</u>	<u>19,300</u>

Notes: During the six months ended 31 August 2021, the Company repurchased 2,344,000 shares (year ended 28 February 2021: 6,096,000) of the Company on The Stock Exchange with prices ranging from HK\$0.255 to HK\$0.280 (year ended 28 February 2021: HK\$0.260 to HK\$0.305). The total consideration paid for these shares was approximately HK\$632,000 (year ended 28 February 2021: HK\$1,736,000). All these shares were cancelled by 31 August 2021 and 28 February 2021 respectively.

For the six months ended 31 August 2021

Month	Number of shares repurchased ('000)	Purchase price per share		Aggregate consideration (\$'000)
		Highest	Lowest	
August 2021	2,344	\$0.280	\$0.255	632

For the year ended 28 February 2021

Month	Number of shares repurchased ('000)	Purchase price per share		Aggregate consideration (\$'000)
		Highest	Lowest	
March 2020	4,432	\$0.300	\$0.260	1,253
April 2020	1,200	\$0.305	\$0.280	346
May 2020	464	\$0.300	\$0.295	137
Total	6,096			1,736

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, the issued share capital of the Company was reduced by the nominal value of the repurchased shares. Pursuant to 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of approximately HK\$24,000 (year ended 28 February 2021: HK\$61,000) was transferred from share premium to the capital redemption reserve. The payments for purchase of own shares with approximately HK\$632,000 (year ended 28 February 2021: HK\$1,736,000) were charged to share premium.

(b) Dividends

- (i) Interim dividend payable to equity shareholders of the Company in respect of the financial period ended 31 August 2021 and 2020:

	Six months ended 31 August	
	2021 \$'000 (unaudited)	2020 \$'000 (unaudited)
Interim dividend declared after the interim period of 0.78 cents per ordinary share (2020: 0.81 cents per ordinary share)	15,054	15,652

The interim dividend declared for the period ended 31 August 2021 will be satisfied by way of cash. The interim dividend declared for the period ended 31 August 2020 has been paid by way of cash during the year ended 28 February 2021.

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

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 0.64 cents per ordinary share (2020: 0.87 cents per ordinary share)	12,368	16,812

- (iii) Special dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
Special dividend in respect of the previous financial year, approved and paid during the following interim period of 0.48 cents per ordinary share (2020: 0.28 cents per ordinary share)	9,275	5,410

20 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
Salary and other benefits	3,573	3,600
Contributions to Mandatory Provident Fund	45	45
Others	15	11
	3,633	3,656

(b) Transactions with other related parties

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

	Six months ended 31 August	
	2021	2020
	\$'000	\$'000
	(unaudited)	(unaudited)
Rental payments paid to		
– Kwan Chart (Holding) Company Limited (“ Kwan Chart Holding ”)	480	480
– Kwan Chart Estate Company Limited (“ Kwan Chart Estate ”)	330	330
– Mr. Chan Chart Man	540	540
	1,350	1,350
	31 August 2021	28 February 2021
	\$'000	\$'000
	(unaudited)	(audited)
Rental deposits placed with		
– Kwan Chart Holding	160	160
– Kwan Chart Estate	110	110
– Mr. Chan Chart Man	180	180
	450	450
Management fee deposit placed with		
– Kwan Chart Estate	23	22
	23	22

The Group entered into a 1-year lease agreement in respect of the rental of a property from Kwan Chart Holding, a company with common beneficial owners with the Company. During the six months ended 31 August 2021, the amount payable by the Group under the lease was HK\$80,000 per month (six months ended 31 August 2020: HK\$80,000 per month). The lease contract had expired during the period ended 31 August 2021 and 2020 and the renewal lease term of 1-year lease was entered into and was classified as short term lease with monthly rental expense of HK\$80,000 (six months ended 31 August 2020: HK\$80,000) at terms mutually agreed by the parties thereafter.

During the six months ended 31 August 2021, the Group made lease payment in cash of \$480,000 (31 August 2020: \$259,000) to the related company. In addition, the Group has made the lease payment of nil in cash (31 August 2020: \$221,000) to the related company, where the lease is accounted for as a short-term lease.

The Group entered into a 1-year lease agreement in respect of the rental of a property from Kwan Chart Estate, a company with common beneficial owners with the Company. During the six months ended 31 August 2021, the amount payable by the Group under the lease was HK\$55,000 per month (six months ended 31 August 2020: HK\$55,000 per month). The lease contract had expired during the period ended 31 August 2021 and 2020 and the renewal lease term of 1-year lease entered was classified as short term lease with monthly rental expense of HK\$55,000 (six months ended 31 August 2020: HK\$55,000) at terms mutually agreed by the parties thereafter.

During the six months ended 31 August 2021, the Group made lease payment in cash of \$330,000 (31 August 2020: \$165,000) to the related company. In addition, the Group has made the lease payment of nil in cash (31 August 2020: \$165,000) to the related company, where the lease is accounted for as a short-term lease.

The Group entered into a 1-year lease agreement in respect of the rental of a property from Mr. Chan Chart Man, a director of the Company. During the six months ended 31 August 2021, the amount payable by the Group under the lease was HK\$90,000 per month (six months ended 31 August 2020: HK\$90,000). The lease contract had expired during the period ended 31 August 2021 and 2020 and the renewal lease term of 1-year lease entered was classified as short term lease with monthly rental expense of HK\$90,000 (six months ended 31 August 2020: HK\$90,000) at terms mutually agreed by the parties thereafter.

During the six months ended 31 August 2021, the Group made lease payment in cash of \$540,000 (31 August 2020: \$291,000) to the related company. In addition, the Group has made the lease payment of nil in cash (31 August 2020: \$249,000) to the related company, where the lease is accounted for as a short-term lease.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Oi Wah Pawnshop Credit Holdings Limited (the “**Company**” or “**our Company**”), and its subsidiaries (together with the Company are collectively referred to as the “**Group**”) is a financing service provider in Hong Kong operating under the brand name of “Oi Wah”, principally engaging in providing secured financing, including mortgage loans and pawn loans.

MORTGAGE LOAN BUSINESS

For the six months ended 31 August 2021 (“**FP2022**”), though the Hong Kong economy remained on track for recovery, overall economic activity was still below the pre-recession level. Many small and medium enterprises (SMEs) continued to adopt a prudent approach on future expansion, thus local loan demand remained weak. During the period, the interest income of the mortgage loan business of the Group decreased by approximately HK\$23.8 million or 35.8% from approximately HK\$66.6 million for the six months ended 31 August 2020 (“**FP2021**”) to approximately HK\$42.8 million in FP2022, which accounted for approximately 56.2% of the Group’s total revenue. The gross mortgage loan receivable was approximately HK\$767.9 million as at 31 August 2021 with total new mortgage loans granted amounted to approximately HK\$195.6 million in FP2022. During the period, net interest margin of the mortgage loan business slightly decreased by 0.2% to 9.8% (FP2021: 10.0%). There were 49 new cases of mortgage loan transactions.

The Group continued to keep a close eye on the performance of the Group’s loan portfolio under the global outbreak of COVID-19, especially in respect to the repayment status of existing customers. In FP2022, the loan-to-value ratio for first mortgage was approximately 48.7%, while the overall loan-to-value ratio for subordinate mortgage was approximately 55.1%, of which, loan-to-value ratio of subordinate mortgage that the Group participated in was approximately 12.6%.

PAWN LOAN BUSINESS

During the period, the revenue generated from the pawn loan business increased by approximately HK\$0.7 million or 2.1% from approximately HK\$32.7 million in FP2021 to approximately HK\$33.4 million in FP2022, with interest income from pawn loan receivables and gain from disposal on repossessed assets amounting to approximately HK\$28.9 million and HK\$4.5 million respectively. The Group continued to channel resources on advertising and promotion, in order to enhance the Group’s brand exposure. Such effort has generated an increased demand for one-to-one pawn loan appointment services for pawn loans of loan size exceeding HK\$0.1 million. As a result, the average loan amount increased to approximately HK\$11,100 per transaction (FP2021: HK\$10,000 per transaction).

In FP2022, the Group continued to develop a mobile app that enables customers to obtain pawn loans at their fingertips at anytime and anywhere. It is expected that online pawn loan services will increase customer satisfaction, attract younger customers, and help to promote the Group's pawn loan business at a lower cost.

INDUSTRY OVERVIEW

During the period, gold prices fluctuated in a range from US\$1,700 to US\$1,900 per ounce as the Federal Reserve's plan to normalize its monetary policies drives bond yields and the U.S. dollar higher. Nevertheless, the luxury sector has rebounded from the COVID-19 pandemic, lifted by pent-up demand for high-end wares as lockdowns ease across the world and consumers return to socializing. With the increase in global vaccination coverage and better control of the epidemic, it is expected to see continuous recovery in the luxury sector and thus will have a positive impact on the Group's pawn loan business.

Meanwhile, Hong Kong's real estate market has seen a recovery in 2021, of which home prices hit a record high in July 2021, as well as transaction volume of industrial, commercial and retail property rebounded. The Group remains positive about the prospect of our mortgage loan businesses, especially when Hong Kong reopens its border and mainland Chinese customers can once again visit.

FINANCIAL REVIEW

Revenue

Our Group's revenue decreased from approximately HK\$99.3 million in FP2021 to approximately HK\$76.2 million in FP2022, representing a decrease of approximately HK\$23.1 million or 23.3%. Detailed analysis of the decrease in revenue during the period are as follow:

Mortgage loan business

The decrease in our interest income derived from our mortgage loan business of approximately HK\$23.8 million or 35.8% (from approximately HK\$66.6 million in FP2021 to approximately HK\$42.8 million in FP2022) was due to the fact that under the global outbreak of COVID-19, the Group adopted a more cautious approach in granting new mortgage loans during FP2022. As such, the average month-end balance for the gross mortgage loans receivables for the period decreased from approximately HK\$1,090.6 million in FP2021 to approximately HK\$730.3 million in FP2022 and the total amount of new mortgage loan granted during FP2022 was approximately HK\$195.6 million (FP2021: HK\$182.1 million).

Pawn loan business

Revenue from our pawn loan business increased from approximately HK\$32.7 million in FP2021 to approximately HK\$33.4 million in FP2022, representing an increase of approximately HK\$0.7 million or 2.1%. This was attributable to the increase in our interest income earned on our loan receivables by approximately HK\$0.3 million or 1.0% from approximately HK\$28.6 million in FP2021 to approximately HK\$28.9 million in FP2022 and the increase in gain on disposal of repossessed assets by approximately HK\$0.4 million or 9.8% from approximately HK\$4.1 million in FP2021 to approximately HK\$4.5 million in FP2022.

The increase in our interest income earned on our pawn loan receivables was primarily attributable to (i) an increase in the average month end balance for the gross pawn loan receivables from March to August from approximately HK\$140.5 million in FP2021 to approximately HK\$144.2 million in FP2022; and (ii) an increase in the aggregated amount of pawn loans granted from approximately HK\$324.8 million in FP2021 to approximately HK\$380.8 million in FP2022.

Revenue from disposal of repossessed assets represents the gain/(loss) we received as we sold the repossessed assets in the event of default in repayment of our pawn loans. The increase in our gain on disposal of repossessed assets in FP2022 was mainly due to the increase of the gold price per ounce from around US\$1,700 in March 2021 to around US\$1,900 in June 2021. Since every pawn loan has a loan term of four lunar months, the revenue increased with the appreciation of gold price in FP2022 and thus generated better results in gain on disposal of repossessed assets in FP2022.

Other revenue

Other revenue decreased from approximately HK\$3.3 million in FP2021 to approximately HK\$1.8 million in FP2022, representing a decrease of approximately HK\$1.5 million or 45.5%, which was mainly due to (i) the receipt of a one-off subsidy from the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund for relieving financial burdens of the businesses of approximately HK\$1.1 million in FP2021 and no such income was received in FP2022; and (ii) a decrease in our rental income by approximately HK\$0.5 million.

Operating expenses

Operating expenses decreased by approximately HK\$0.5 million or 2.0% from approximately HK\$25.1 million in FP2021 to approximately HK\$24.6 million in FP2022.

During FP2021, staff costs slightly increased by approximately HK\$0.5 million or 4.3% from approximately HK\$11.7 million in FP2021 to approximately HK\$12.2 million in FP2022. The increase was mainly contributed by the increase in the provision for long service payment of approximately HK\$0.5 million.

According to HKFRS 16, all operating lease should be treated as finance lease. Thus, the contractual liabilities for the rental agreements are discounted and recognised as finance lease assets. Rental expenses and depreciation for right-to-use assets slightly increased by approximately HK\$0.1 million or 1.5% from approximately HK\$6.5 million in FP2021 to approximately HK\$6.6 million in FP2022. No material change was noted.

Apart from staff costs, rental expenses and depreciation for right-to-use assets of approximately HK\$18.1 million and HK\$18.8 million in FP2021 and FP2022 respectively as mentioned above, other operating expenses decreased by approximately HK\$1.1 million or 15.9% from approximately HK\$6.9 million in FP2021 to approximately HK\$5.8 million in FP2022, which was mainly due to the decrease in legal and professional fees and advertising expenses by approximately HK\$0.9 million and HK\$0.4 million respectively.

Finance costs

The finance costs decreased by approximately HK\$5.5 million or 42.8% from approximately HK\$12.8 million in FP2021 to approximately HK\$7.3 million in FP2022. It was mainly due to the decrease in debt securities issued and other loans in FP2022.

Charge for impairment losses on loan receivables

For FP2022

The charge for impairment losses on loan receivables of HK\$1.2 million in FP2022 was measured based on the requirement under HKFRS 9. The charge for impairment losses represented a further impairment made to a mortgage loan (same mortgage loan impaired for the year ended 28 February 2021) which had been overdue for more than 1 year and the management considered there is a growing likelihood of the value of the collateral of the said loan not being able to fully cover the outstanding loan amount.

For FP2021

The charge for impairment losses on loan receivables of HK\$1.2 million in FP2021 was measured based on the requirement under HKFRS 9. The charge for impairment losses represented a further impairment made to a mortgage loan (same mortgage loan impaired for the year ended 29 February 2020) which had been overdue for more than 1 year and the management considered there is a growing likelihood of the value of the collateral of the said loan not being able to fully cover the outstanding loan amount.

Income tax expenses

Our Group's effective tax rate decreased from approximately 18.0% in FP2021 to approximately 16.1% in FP2022. In FP2021, an additional assessment on part of the advertising expenses in previous years were subsequently disqualified as deductible expense by the Hong Kong Inland Revenue Department in the amount of approximately HK\$1.0 million. No such additional assessment was noted in FP2022.

Profit and total comprehensive income for the period

Our Group's profit for FP2022 decreased to approximately HK\$37.6 million from approximately HK\$52.1 million in FP2021, representing a decrease of approximately HK\$14.5 million or 27.7%. The decrease was mainly attributable to the decrease in revenue of approximately HK\$23.1 million, netting off against the decrease in legal and professional fees and advertising expenses and finance costs of approximately HK\$0.9 million, HK\$0.4 million and HK\$5.5 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

During FP2022, the Group's operational and capital requirements were financed principally through retained earnings, bank loans and overdrafts, loans from the immediate holding company, other loans and debt securities issued.

Based on the Group's current and anticipated levels of operation, the Group's future operations and capital requirements will be mainly financed through bank loans and overdrafts, loans from the immediate holding company, other loans, retained earnings and share capital. There were no significant commitments for capital expenditure as at 31 August 2021.

As at 31 August 2021, cash and cash equivalents, after netting off with the bank overdraft, amounted to approximately HK\$220.5 million, representing a net decrease of approximately HK\$24.8 million as compared to the position as at 28 February 2021.

For FP2022, net cash inflow from operating activities of our Group amounted to approximately HK\$74.0 million which is mainly due to the cash inflow from the operating profit amounted to approximately HK\$58.2 million. The net cash outflow from financing activities of our Group amounted to approximately HK\$98.8 million for FP2022. It was mainly contributed by the dividend payment, finance costs paid, the net repayment for other loans and debt securities during FP2022 which amounted to approximately HK\$21.6 million, HK\$8.6 million, HK\$23.3 million and HK\$50.0 million respectively, netting off with the net proceed for bank loans which amounted to approximately HK\$10.6 million.

Pledge of assets

As at 31 August 2021, the Group had pledged its mortgage loan receivables with net book value of HK\$178.8 million for the purpose of obtaining the facility from the other independent third party.

As at 28 February 2021, the Group had pledged its mortgage loan receivables with net book value of HK\$304.3 million for the purpose of obtaining facilities from a bank and other independent third party.

Contingent liabilities

There were no significant contingent liabilities for the Group as at 31 August 2021.

PROSPECTS

Activities across various sectors has picked up by adapting to pandemic restrictions over the year. It is expected that the increase in vaccination rate will provide a major boost to economic activity in Hong Kong. In response to this, the Group will continue to strengthen its risk management measures, such as increasing the proportion of first mortgage loans, further tightening the loan-to-value ratio and adopting a more cautious approach when granting loans, in order to maintain financial stability of the Group and wait for market recovery.

Although the Federal Reserve will begin tapering its bond-buying program, the Board is of the view that the low interest rate environment will remain in the near future which will support the Hong Kong property market. Looking forward, the Group will continue to explore and seize new business opportunities to further create value for our shareholders in the long run.

KEY FINANCIAL RATIOS

	As at 31 August 2021	As at 28 February 2021
Current ratio ⁽¹⁾	8.7x	6.5x
Gearing ratio ⁽²⁾	19.3%	26.2%
	For the six months ended 31 August 2021	For the six months ended 31 August 2020
Return on total assets ⁽³⁾	6.4%	8.2%
Return on equity ⁽⁴⁾	7.8%	11.3%
Net profit margin ⁽⁵⁾	49.4%	52.4%
Net interest margin ⁽⁶⁾	14.8%	13.5%
– pawn loan services	40.1%	40.5%
– mortgage loan services	9.8%	10.0%

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective period/year end.
- (2) Gearing ratio is calculated by dividing total borrowings (summation of bank loans, bank overdrafts, loans from immediate holding company, other loans and debt securities issued) by total equity as at the respective period/year end.
- (3) Return on total assets is calculated by dividing annualised profit for the period by the total assets as at the respective period end.
- (4) Return on equity is calculated by dividing annualised profit for the period by the total equity as at the respective period end.
- (5) Net profit margin is calculated by dividing profit for the period by the revenue for the respective period.
- (6) Net interest margin during the period refers to our interest income in respect of our pawn loans and mortgage loan less our finance costs, divided by the average month-end gross loan receivables balances of the corresponding loans during the period.

Current ratio

Our Group's current ratio increased from 6.5 times as at 28 February 2021 to 8.7 times as at 31 August 2021, which was mainly due to the decrease in other loans and current debt securities issued amounting to approximately HK\$23.3 million and HK\$33.0 million respectively.

Gearing ratio

Our Group's gearing ratio decreased from approximately 26.2% as at 28 February 2021 to approximately 19.3% as at 31 August 2021, which was mainly triggered by the decrease in other loans and current debt securities issued amounting to approximately HK\$23.3 million and HK\$33.0 million respectively as a result of the decrease of our mortgage loan portfolio.

Return on total assets, return on equity and net profit margin

Our return on total assets, return on equity and net profit margin decreased from approximately 8.2%, 11.3% and 52.4% in FP2021 to 6.4%, 7.8% and 49.4% in FP2022 respectively, which were mainly due to the decrease in our net profit of approximately HK\$14.5 million in FP2022.

Net interest margin

The net interest margin for pawn loan services and mortgage loan services remained stable during FP2022 and no material changes were noted.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 19 February 2013. As at 31 August 2021, being the end of FP2022 for the Group:

- i) a total of 40,000,000 options to subscribe for Shares were available for issue under the Share Option Scheme, representing approximately 2.1% of the total issued Shares of the Company as at 31 August 2021;
- ii) an option granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof; and
- iii) the Share Option Scheme will remain in force until 18 February 2023.

HUMAN RESOURCES

As at 31 August 2021, our Group had a total of 51 staff (28 February 2021: 51). Total staff costs (including directors’ emoluments) were approximately HK\$12.2 million for FP2022 (FP2021: approximately HK\$11.7 million). Remuneration is determined with reference to the market conditions and the performance, qualifications and experience of an individual employee. Bonus based on individual performance will be paid to employees as a recognition of and reward for their contributions. Other benefits include a share option scheme and contributions to statutory mandatory provident fund scheme to our Group’s employees in Hong Kong.

INTERNAL CONTROL

The Board considers that our Group’s internal control system was effective and adequate for FP2022.

The Board, through the audit committee of our Company, has conducted a review on the internal control system and identified no significant areas of concern which could affect the operations of our Company.

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

During FP2022, the Company repurchased a total of 2,344,000 shares of the Company on the Stock Exchange at the aggregate consideration of approximately HK\$0.6 million (before expenses). All the repurchased shares were cancelled during FP2022.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
August 2021	2,344,000	0.280	0.255	631,320

The above share repurchases were made with a view to stabilise the price per share of the Company, as the management of the Company considered that the market price of the share might not be able to truly reflect the value of the Company's shares and the Company's prospects.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during FP2022.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not engage in any material acquisitions or disposals during FP2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. During FP2022, save for Code Provisions A.2.1 and A.6.7, the Company applied the principles in the Corporate Governance Code and complied with all the Code Provisions.

Code Provision A.6.7 requires that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Chan Kai Ho Edward, an executive Director, currently holds both positions. Mr. Chan Kai Ho Edward has been the key leadership figure of our Group, who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises other executive Directors and senior management of our Group. Taking into account the continuation of the implementation of our Group's business plans, the Directors (including the independent non-executive Directors) consider that Mr. Chan Kai Ho Edward is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and the shareholders of the Company (the "**Shareholders**") as a whole.

Code Provision A.6.7 requires independent non-executive Directors and non-executive Directors to attend general meetings to gain and develop a balanced understanding of the views of shareholders. At the annual general meeting held on 29 July 2021, an independent non-executive Director was absent due to an urgent family matter.

MODEL CODE FOR DIRECTORS SECURITIES TRANSACTIONS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ securities transactions. The Board made specific enquiry to all Directors and the Directors confirmed that they had complied with the required standards as set out in the Model Code during FP2022.

REVIEW OF INTERIM RESULTS

The Group’s condensed consolidated financial statements for the six months ended 31 August 2021 have not been audited, but have been reviewed by SHINEWING (HK) CPA Limited under Hong Kong Standard on Review Engagements 2410, the Company’s external auditor, whose review report is included in the interim report to be sent to shareholders.

The audit committee together with the management of our Company have reviewed our Group’s unaudited interim consolidated financial statements for the six months ended 31 August 2021. The audit committee is of the opinion that such financial statements have complied with the applicable accounting standards, and the requirements of the Stock Exchange and the applicable legal requirements, and that adequate disclosure has been made. The audit committee has also reviewed this announcement and confirmed that it is complete and accurate and complies with the Listing Rules.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this announcement, there was no important event affecting the Group which occurred after 31 August 2021.

INTERIM DIVIDEND

On 27 October 2021, the Board declared an interim dividend of HK0.78 cents per ordinary share, representing approximately 40.0% of the profit attributable to the Shareholders for FP2022. The total payout for the interim dividend will amount to approximately HK\$15.1 million. The aforesaid interim dividend will be paid on 21 December 2021 to the Shareholders whose names appear on the register of members of our Company at the close of business on 8 December 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to establish the identity of the Shareholders who are entitled to the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company’s Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on 3 December 2021. The register of members of our Company will be closed from 6 December 2021 to 8 December 2021, both days inclusive, during which no transfer of shares will be registered.

PUBLICATION

The interim results announcement of our Company for FP2022 is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.pawnshop.com.hk) respectively. The 2021 interim report will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and our Company in due course.

By order of the Board of
Oi Wah Pawnshop Credit Holdings Limited
Chan Kai Ho Edward
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 October 2021

As at the date of this announcement, the Board comprises Mr. Chan Kai Ho Edward (Chairman and Chief Executive Officer), Mr. Chan Chart Man, Ms. Chan Mei Fong and Ms. Chan Ying Yu as executive Directors; Mr. Chan Kai Kow Mackston and Mr. Ng Siu Hong as non-executive Directors; and Mr. Lam On Tai, Dr. Leung Shiu Ki Albert and Dr. Yip Ngai as independent non-executive Directors.