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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 ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2022

FINANCIAL HIGHLIGHTS

		2022 HK\$'000	2021 HK\$'000	Change
Revenue		151,977	182,768	-16.8%
Profit before taxation		85,643	112,078	-23.6%
Profit for the year attributable to shareholders		71,671	93,144	-23.1%
Net profit margin		47.2%	51.0%	
Basic earnings per share (in HK cents)		3.7	4.8	
Proposed dividend for the year				
– Final dividend (in HK cents)		0.71	0.64	
– Special dividend (in HK cents)		0.37	0.48	
		As at 28 February 2022 HK\$'000	As at 28 February 2021 HK\$'000	
Gross loan receivables – principal	Note 1	890,322	934,097	-4.7%
– Pawn loan receivables at amortised cost		55,510	31,930	
– Pawn loan receivables at fair value through profit or loss		108,516	100,971	
– Mortgage loan receivables at amortised cost		726,296	801,196	
Total assets		1,155,814	1,219,492	-5.2%
Total equity		982,911	948,853	3.6%
Net interest margin	Note 2	15.0%	13.7%	
For pawn loan services		38.7%	40.2%	
For mortgage loan services		9.9%	10.0%	

Note 1: Under 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.

Note 2: Net interest margin during the year refers to our interest income in respect of our pawn loans and mortgage loans less the respective finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the year.

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 consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the year ended 28 February 2022, together with the comparative figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2022

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2022 \$'000	2021 \$'000
Revenue	4	151,977	182,768
Other income, gains or losses	6	<u>2,978</u>	<u>7,875</u>
Operating income		154,955	190,643
Other operating expenses	7(c)	(54,588)	(55,596)
Charge for impairment losses on loan receivables	11	<u>(2,285)</u>	<u>(2,042)</u>
Profit from operations		98,082	133,005
Finance costs	7(a)	<u>(12,439)</u>	<u>(20,927)</u>
Profit before taxation	7	85,643	112,078
Income tax	8	<u>(13,972)</u>	<u>(18,934)</u>
Profit and total comprehensive income for the year attributable to shareholders		<u>71,671</u>	<u>93,144</u>
Earnings per share (in HK cents) – basic and diluted	9	<u>3.7</u>	<u>4.8</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2022

(Expressed in Hong Kong dollars)

	Notes	2022 \$'000	2021 \$'000
Non-current assets			
Plant and equipment		1,401	1,220
Right-of-use assets	10	20,271	12,603
Loan receivables	11	34,284	47,040
Other receivables	12	6,359	2,167
Deferred tax assets		92	963
		<u>62,407</u>	<u>63,993</u>
Current assets			
Repossessed assets		7,481	6,228
Loan receivables	11	873,052	901,022
Trade and other receivables	12	5,234	2,945
Tax recoverable		868	–
Cash and cash equivalents		206,772	245,304
		<u>1,093,407</u>	<u>1,155,499</u>
Current liabilities			
Accruals and other payables	14	4,514	6,162
Bank loans and overdrafts	13	12,142	14,863
Loans from the immediate holding company	16	47,500	47,500
Other loans	15	–	23,312
Lease liabilities	10	8,385	9,752
Debt securities issued	17	49,974	74,967
Tax payable		–	2,310
		<u>122,515</u>	<u>178,866</u>
Net current assets		<u>970,892</u>	<u>976,633</u>
Total assets less current liabilities		<u>1,033,299</u>	<u>1,040,626</u>

	<i>Notes</i>	2022 \$'000	2021 \$'000
Non-current liabilities			
Debt securities issued	<i>17</i>	37,938	87,843
Lease liabilities	<i>10</i>	12,450	3,930
		<u>50,388</u>	<u>91,773</u>
NET ASSETS		<u>982,911</u>	<u>948,853</u>
CAPITAL AND RESERVES			
Capital		19,289	19,324
Reserves		963,622	929,529
TOTAL EQUITY		<u>982,911</u>	<u>948,853</u>

NOTES TO THE FINANCIAL STATEMENTS

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.

The directors of the Company (the “**Directors**”) consider the immediate parent and ultimate controlling party of the Group to be Kwan Lik Holding Limited, which is incorporated in the British Virgin Islands (the “**BVI**”), and TMF (Cayman) Ltd. as trustee of a reserved power discretionary trust for the benefit of Mr. Chan Chart Man, Mr. Chan Kai Ho Edward, Ms. Chan Ying Yu, Ms. Chan Mei Fong, Ms. Chan Nga Yu, Ms. Mui Hang Sin and Mr. Chan Kai Kow Macksion, which is incorporated in the Cayman Islands, respectively. These entities do not produce financial statements available for public use.

The Company’s registered office is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and its head office and principal place of business in Hong Kong is located at Rooms 2302–2303, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

The consolidated financial statements 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.

2 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 28 February 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 28 February 2021.

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

Amendments to HKFRS 9, HKAS 39 and
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Early application of Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

In prior year, the Group applied the practical expedient in the Amendment to HKFRS 16, Covid-19-Related Rent Concessions which issued in 2020, such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. In 2021, the Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 (the “**2021 Amendment**”) has been issued by the HKICPA. The 2021 Amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 Amendment in the current year. The amendment did not have significant impact on the financial position and performance of the Group.

3 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

4 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 year is as follows:

	2022 \$'000	2021 \$'000
Revenue from pawn loan business		
– Interest income from pawn loan receivables calculated using the effective interest method	10,081	8,171
– Interest income from pawn loan receivables at FVPL	50,131	48,002
– Gain on disposal of repossessed assets	9,093	8,024
	<u>69,305</u>	<u>64,197</u>
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	82,672	118,571
	<u>151,977</u>	<u>182,768</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. Cost of disposal of repossessed assets for the year ended 28 February 2022 amounted to approximately HK\$34.7 million (2021: HK\$36.5 million).

During the year ended 28 February 2022 and 2021, the Group's customer base was diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

5 SEGMENT REPORTING

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

6 OTHER INCOME, GAINS OR LOSSES

	2022 \$'000	2021 \$'000
Rental income	961	2,292
Government subsidy (Note a)	–	2,102
Credit related fee income	1,018	1,870
COVID-19-related rent concession (Note b)	1,007	694
Bank interest income	28	5
Loss on disposal of plant and equipment	(123)	–
Others	87	912
	<u>2,978</u>	<u>7,875</u>

Notes:

- (a) During the year ended 28 February 2021, the Group recognised the COVID-19-related subsidies, of which amounted to approximately HK\$2,102,000 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 recognises the staff costs for which the government grants are intended to compensate. The Group recognised as other income for the year as the Group fulfilled all the relevant granting criteria. No such subsidy has been granted during the year ended 28 February 2022.
- (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):

	2022 \$'000	2021 \$'000
(a) Finance costs		
Interest on debt securities issued	7,798	9,907
Interest on other loans	702	4,458
Interest on loans from the immediate holding company	2,375	3,891
Interest on bank loans and overdrafts	900	1,529
Interest on lease liabilities	664	1,142
	<u>12,439</u>	<u>20,927</u>
(b) Staff costs		
Salaries and other benefits	19,349	19,049
Directors' remuneration	9,413	10,125
Contributions to Mandatory Provident Fund ("MPF")	527	526
Charge for (reversal of) provision for long service payment	223	(584)
	<u>29,512</u>	<u>29,116</u>
(c) Other operating expenses		
Premises and equipment expenses excluding depreciation:		
– rental of premises	3,216	2,343
– maintenance, repairs and others	1,058	1,054
	<u>4,274</u>	<u>3,397</u>
Auditor's remuneration	830	830
Depreciation of plant and equipment	474	501
Depreciation of right-of-use assets	9,980	10,833
Advertising expenses	2,750	3,099
Legal and professional fees	1,774	2,662
Net loss (gain) on loan receivables at FVPL	24	(9)
Written off other receivable	71	–
Others	4,899	5,167
	<u>20,802</u>	<u>23,083</u>
	<u>54,588</u>	<u>55,596</u>

8 INCOME TAX

	2022 \$'000	2021 \$'000
Hong Kong Profits Tax		
Provision for the year		
– Current tax	13,101	18,348
– Under provision in prior years	–	804
	<u>13,101</u>	<u>19,152</u>
Deferred tax	871	(218)
	<u><u>13,972</u></u>	<u><u>18,934</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 HK\$2.0 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. For both years, 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 year ended 28 February 2021, 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 BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 \$'000	2021 \$'000
Profit before taxation	<u>85,643</u>	<u>112,078</u>
Notional tax on profit before taxation, calculated at applicable rates	13,966	18,328
Tax effect of non-taxable income	(5)	(348)
Tax effect of non-deductible expenses	81	218
Statutory tax concession (Note)	(70)	(68)
Under provision in prior years	–	804
Income tax	<u><u>13,972</u></u>	<u><u>18,934</u></u>

Note: Statutory tax concession represented a reduction of Hong Kong Profits Tax for the year of assessment 2021/2022 and 2020/2021 by 100%, subject to a ceiling of HK\$10,000 and HK\$10,000 respectively.

9 EARNINGS PER SHARE

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

Earnings

	2022 \$'000	2021 \$'000
Profit for the year attributable to shareholders of the Company	<u>71,671</u>	<u>93,144</u>

Weighted average number of ordinary shares

	2022 Number of shares '000	2021 Number of shares '000
Issued ordinary shares at 1 March	1,932,372	1,938,468
Effect of purchase of own shares	<u>(1,612)</u>	<u>(5,626)</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,930,760</u>	<u>1,932,842</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 years.

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2022 \$'000	2021 \$'000
Leased properties – buildings	<u>20,271</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.

Additions to the right-of-use assets for the year ended 28 February 2022 amounted to HK\$17.6 million (2021: nil) due to new leases of buildings.

During the years ended 28 February 2022 and 2021, the Group has subleased part of the leased properties. The Group has classified the sublease as operating lease. During the year ended 28 February 2022, the Group recognised rental income from subleasing right-of-use assets of approximately HK\$1.0 million (2021: HK\$2.3 million).

(ii) Lease liabilities

	2022 \$'000	2021 \$'000
Current	8,385	9,752
Non-current	12,450	3,930
	<u>20,835</u>	<u>13,682</u>

Amounts payable under lease liabilities

	2022 \$'000	2021 \$'000
Within one year	8,385	9,752
After one year but within two years	7,376	2,809
After two years but within five years	5,074	1,121
	<u>20,835</u>	<u>13,682</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	(8,385)	(9,752)
	<u>12,450</u>	<u>3,930</u>

Rent concessions

During the year, 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 current year, rent concessions totaling approximately HK\$1,007,000 (2021: HK\$694,000) have been accounted as negative variable lease payments and recognised in the profit or loss, with a corresponding adjustment to the lease liabilities.

(iii) Amounts recognised in profit or loss

	2022 \$'000	2021 \$'000
Depreciation of right-of-use assets – leased properties	9,980	10,833
Interest expense on lease liabilities	664	1,142
Expense relating to short-term leases	3,216	2,343
Rent concession related to COVID-19 (Note)	(1,007)	(694)
Income from subleasing right-of-use assets	(961)	(2,292)

Note: As disclosed in note 2 and note 10(ii), the Group has adopted the Amendment to HKFRS 16, COVID-19-Related Rent Concessions and early adopted the Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the both years.

(iv) **Others**

As at 28 February 2022 and 2021, the Group had no committed lease agreements not yet commenced.

During the year ended 28 February 2022, the total cash outflow for leases amounted to approximately HK\$13.4 million (2020: HK\$13.5 million).

(v) **Restrictions or covenants on leases**

As at 28 February 2022, lease liabilities of HK\$20,835,000 were recognised with related right-of-use assets of HK\$20,271,000 (2020: lease liabilities of HK\$13,682,000 and related right-of-use assets of HK\$12,603,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

11 LOAN RECEIVABLES

	2022 \$'000	2021 \$'000
Loan receivables at amortised cost:		
– Pawn loans	55,510	31,930
– Accrued interests of pawn loans	833	699
	<u>56,343</u>	<u>32,629</u>
Pawn loan receivables		
– Mortgage loans	726,296	801,196
– Accrued interests of mortgage loans	7,023	9,874
	<u>733,319</u>	<u>811,070</u>
Less: Impairment allowance on mortgage loans – Stage 3	–	(5,053)
Net mortgage loan receivables	<u>733,319</u>	<u>806,017</u>
Net loan receivables at amortised cost	<u>789,662</u>	<u>838,646</u>
Loan receivables at FVPL:		
Pawn loans	117,674	109,416
Total loan receivables	907,336	948,062
Current portion included under current assets	<u>(873,052)</u>	<u>(901,022)</u>
Amounts due after one year included under non-current assets	<u><u>34,284</u></u>	<u><u>47,040</u></u>

In determining the expected credit losses for loan receivables, the Directors have determined using a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, discount rate, adjustments for forward-looking information, value of collateral and other adjustment factors.

There has been no change in the estimation techniques or significant assumptions made during both years in assessing the loss allowance for loan receivables.

Movement in impairment losses

	2022		2021	
	Expected credit loss		Expected credit loss	
	Stage 3	Total	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
At 1 March	5,053	5,053	3,011	3,011
Impairment losses charged to profit or loss	2,285	2,285	2,042	2,042
Written off	(7,338)	(7,338)	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 28 February	<u> </u>	<u> </u>	<u>5,053</u>	<u>5,053</u>

During the year ended 28 February 2021, the Group had provided approximately HK\$5.1 million expected credit loss as the borrower is unlikely to pay its credit obligations to the Group in full. During the year ended 28 February 2022, the Group had written off approximately HK\$7.3 million expected credit loss as the borrower is fail to pay its credit obligations to the Group in full.

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>
28 February 2022				
Not past due	53,650	113,599	460,097	627,346
Less than 1 month past due	2,693	2,887	174,118	179,698
1 to less than 3 months past due	–	531	74,063	74,594
3 to less than 6 months past due	–	657	22,488	23,145
6 months to 1 year past due	–	–	2,553	2,553
	<u>56,343</u>	<u>117,674</u>	<u>733,319</u>	<u>907,336</u>
28 February 2021				
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>

As at 28 February 2022 and 2021, of these mortgage loans which had been past due for one month or above, except for one mortgage loan receivable amounted to approximately HK\$7.3 million on which an allowance for expected credit loss amounting of approximately further HK\$2.3 million (2021: HK\$5.1 million) had been recognised, the respective valuations of the collaterals can fully cover the outstanding balances of these loans 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. During the year ended 28 February 2022, the Group has written off that mortgage loan receivable with approximately HK\$7.3 million expected credit loss as the borrower is fail to pay its credit obligations to the Group in full.

12 TRADE AND OTHER RECEIVABLES

	2022 \$'000	2021 \$'000
Non-current		
Others	<u>6,359</u>	<u>2,167</u>
Current		
Trade receivables	320	–
Deposits and payments in advance	4,812	2,843
Others	<u>102</u>	<u>102</u>
	<u>5,234</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 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:

	2022 \$'000	2021 \$'000
0-60 days	<u>320</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.

As at 28 February 2022, the Group has written off the other receivable with approximately HK\$71,000.

13 BANK LOANS AND OVERDRAFTS

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

	2022 \$'000	2021 \$'000
Unsecured bank overdrafts (Note a)	142	–
Unsecured bank loans (Note b)	<u>12,000</u>	<u>14,863</u>
Total bank loans and overdrafts	<u>12,142</u>	<u>14,863</u>

Notes:

- (a) As at 28 February 2022, unsecured bank overdraft facilities of HK\$41.5 million (2021: HK\$41.5 million) were provided to the subsidiaries and utilised to the extent as disclosed above. As at 28 February 2022, the bank overdrafts carried floating interest rate ranging from prime rate minus 0.75% to prime rate plus 1.5% per annum with repayment on demand clause. As at the end of the reporting period, the Group has approximately HK\$41.4 million (2021: HK\$41.5 million) undrawn unsecured bank overdraft facilities carried floating interest rate and expiring beyond one year.
- (b) During the year ended 28 February 2022, a new unsecured bank loan facility of approximately HK\$15.0 million was provided to the Company. As at 28 February 2022, together with the existing unsecured bank loan facilities, the total unsecured bank loan facilities of approximately HK\$27.0 million (2021: HK\$34.4 million) were provided to the Company and the subsidiaries and utilised to the extent as disclosed above. As at 28 February 2022, the bank loans carried floating interest rate which ranged from prime rate minus 0.75% and one month Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 5.45% per annum (2021: prime rate minus 0.75% and three months HIBOR plus 3.0%). As at the end of the reporting period, the Group has approximately HK\$15.0 million (2021: HK\$19.5 million) undrawn unsecured bank loan facility carried floating interest rate and expiring within one year.

During the year ended 28 February 2022, the Group obtained a new secured revolving loan facility from a bank. The limit of the facility is the lower of HK\$125.0 million and a certain percentage of the aggregate principal amount of certain mortgage loan receivables of the subsidiaries which are then sub-charged/sub-mortgaged to the bank. The facility is interest-bearing at three months HIBOR plus 3.50% per annum and the tenor for the facility is three years. As at 28 February 2022, there is no mortgage loan receivables was pledged to the bank.

As 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 were then charged to the bank was obtained. The tenor for the facility ranged from one to six months as selected by the subsidiary. As 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. As 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 year ended 28 February 2022.

During the year, 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 and secured by certain loan receivables held by the Group.

14 ACCRUALS AND OTHER PAYABLES

	2022	2021
	\$'000	\$'000
Accrued interest expenses	938	1,730
Accrued expenses	2,223	2,711
Provision for long services payment	690	616
Other payable and deposit received	663	1,105
	<u>4,514</u>	<u>6,162</u>

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

15 OTHER LOANS

During the year ended 28 February 2022, 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 (2021: HK\$439.0 million) and a certain percentage of the aggregate principal amount of certain mortgage loan receivables of the subsidiary which are then sub-charged/sub-mortgaged to the independent third party. The facility is interest-bearing at Hongkong and Shanghai Banking Corporation Limited (“HSBC”) prime rate plus 2% per annum (2021: HSBC prime rate plus 2% per annum) and the tenor for the facility is one year.

As at 28 February 2022, the available uncommitted loan facility after taking into consideration of the drawdown was HK\$67.5 million (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\$84.4 million (2021: HK\$189.8 million).

16 LOANS FROM THE IMMEDIATE HOLDING COMPANY

During the year ended 28 February 2022, the Group obtained an unsecured revolving loan facility from the immediate holding company with a facility limit of HK\$200.0 million (2021: HK\$200.0 million). The loans are unsecured, interest-bearing at 5% per annum (2021: 5% per annum) and repayable on demand.

As at 28 February 2022, the available loan facility after taking into consideration of the drawdown was approximately HK\$152.5 million (2021: HK\$152.5 million) and the accrued interest payable as at 28 February 2022 was approximately HK\$23,000 (2020: HK\$23,000).

17 DEBT SECURITIES ISSUED

	2022 \$'000	2021 \$'000
Current	49,974	74,967
Non-current	37,938	87,843
	<u>87,912</u>	<u>162,810</u>

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

During the year ended 28 February 2022, the Group repaid debt securities on maturity date amounting to HK\$75.0 million (2021: nil).

18 DIVIDENDS

Dividends payment during the year:

	2022 \$'000	2021 \$'000
Dividends recognised as distribution during the year:		
2022 Interim dividend – 0.78 cents (2021: 2021 interim dividend 0.81 cents) per share	15,049	15,652
2021 Final dividend – 0.64 cents (2021: 2020 final dividend 0.87 cents) per share	12,367	16,812
2021 Special dividend – 0.48 cents (2021: 2020 special dividend – 0.28 cents) per share	<u>9,275</u>	<u>5,410</u>

Subsequent to the end of reporting periods, a final dividend of 0.71 cents per share (2021: 0.64 cents per share) and a special dividend of 0.37 cents per share (2021: 0.48 cents per share) in respect of the year ended 28 February 2022 per share have been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

MORTGAGE LOAN BUSINESS

For the year ended 28 February 2022 (“**FY2022**”), Hong Kong market continued to be affected by the closure of major border crossings with the on-going COVID-19 pandemic, thus a full recovery of business and investment activities was constrained, and local loan demand remained softened. The interest income of the mortgage loan business of the Group decreased by approximately HK\$35.9 million or 30.3% from approximately HK\$118.6 million for the year ended 28 February 2021 (“**FY2021**”) to approximately HK\$82.7 million in FY2022, which accounted for approximately 54.4% of the Group’s total revenue. The gross mortgage loan receivables was approximately HK\$726.3 million as at 28 February 2022 with the total new mortgage loans granted amounted to approximately HK\$428.5 million in FY2022. During the year, net interest margin of the mortgage loan business slightly decreased by approximately 0.1% to approximately 9.9% (FY2021: approximately 10.0%). During the year, there were 100 new cases of mortgage loan transactions, with average loan size of approximately HK\$4.3 million.

In FY2022, given the US rate hike and its potential impacts on local property market, the Group continued to adopt a prudent and cautious approach when granting loans, as well as maintaining a higher proportion of first mortgage loans in the Group’s portfolio to mitigate risk. The loan-to-value ratio for the first mortgage is approximately 52.4%, while overall loan-to-value ratio for subsidiary mortgage is approximately 58.5%, of which, loan-to-value ratio of subsidiary mortgage that the Group participate in is approximately 5.4% in FY2022.

PAWN LOAN BUSINESS

In FY2022, the revenue from the pawn loan business increased from approximately HK\$64.2 million to approximately HK\$69.3 million, representing an increase of approximately 7.9% or HK\$5.1 million, with interest income from pawn loan receivables and gain from disposal of repossessed assets of approximately HK\$60.2 million and HK\$9.1 million respectively, thanks to the growing luxury goods market that led to an increase of pawn loan size. The aggregate pawn loan amount granted increased by approximately 19.7% or HK\$130.2 million from approximately HK\$660.9 million in FY2021 to approximately HK\$791.1 million in FY2022.

During the year, the Group continued to channel resources to advertising and promotion to enhance the Group's brand exposure. Such effort has generated demand for one-to-one pawn loan appointment services for pawn loans exceeding HK\$0.1 million. The number of pawn loan transactions granted of such amount increased from 437 transactions in FY2021 to 497 transactions in FY2022. The average loan amount also increased to approximately HK\$11,700 per transaction (FY2021: HK\$10,200 per transaction).

INDUSTRY OVERVIEW

Solid gold price, coupled with the continued recovery of luxury goods market during the year, has lent a strong support to the Group's pawn loan business.

On the other hand, private home prices in Hong Kong has seen a bounce back and edged close to the historical peak despite the spread of Omicron variant, with prices going up 3.3% in 2021 according to an index published by the Rating and Valuation Department. However, in order to put a damper on inflation, the US Fed's ongoing interest rate increase and its plan of balance sheet reduction to put a damper on inflation have marked the end of the era of low interest rates and cheap money. Although the HKD interbank rates may not necessarily rise with the US dollar interest rates immediately, the Board is of the view that property market which is interest sensitive will remain largely uncertain in the coming year. Therefore, the Group will remain cautious of the valuation of properties when granting loans, in order to mitigate risks.

FINANCIAL REVIEW

Revenue

Our Group's revenue reduced from approximately HK\$182.8 million for the FY2021 to approximately HK\$152.0 million for the FY2022, representing a decrease of approximately HK\$30.8 million or 16.8%. The decrease was attributable to the decrease in our interest income from mortgage business by approximately HK\$35.9 million or 30.3% from approximately HK\$118.6 million in FY2021 to approximately HK\$82.7 million in FY2022, netting off the increase in our revenue from pawn loan business by approximately HK\$5.1 million or 7.9% from approximately HK\$64.2 million in FY2021 to approximately HK\$69.3 million in FY2022.

Mortgage loan business

The decrease in our interest income from mortgage business was mainly due to the fact that under the global outbreak of the COVID-19 pandemic, the Group has adopted a cautious approach in granting our mortgage loan during FY2022. Moreover, as most of our customers are SMEs, they preferred to reduce their debt equity ratio in this gloominess situation. As such, the average month end balance for the gross mortgage loans receivables for the year decreased from approximately HK\$992.5 million in FY2021 to approximately HK\$713.1 million in FY2022 with total new mortgage loans granted of approximately HK\$428.5 million during FY2022 (FY2021: approximately HK\$392.1 million).

Pawn loan business

The increase in our pawn loan business was due to the increase in our interest income earned on our pawn loan receivables by approximately HK\$4.0 million or 7.1% from approximately HK\$56.2 million in FY2021 to approximately HK\$60.2 million in FY2021 and the increase in revenue from disposal of repossessed assets by approximately HK\$1.1 million.

The increase in our interest income earned on our pawn loan receivables was mainly attributable to (i) the increase in the price of second-hand brand watches; and (ii) a new customer was found through our network in December 2021 which the Group have provided a revolving loan to this customer amounted to HK\$40.0 million (As at 28 February 2022: HK\$17.1 million was utilised). Therefore, the aggregated amounts of pawn loan granted increased from approximately HK\$660.9 million in FY2021 to approximately HK\$791.1 million in FY2022 and the average month end balance for the gross pawn loans receivables for the year increased from approximately HK\$139.6 million in FY2021 to approximately HK\$153.8 million in FY2022.

Revenue from disposal of repossessed assets represents the gain/(loss) of the Group 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 FY2022 was mainly due to the increase in the price of second-hand brand watches. Since every pawn loan has a loan term of four lunar months, revenue was derived from the appreciation of the price of second-hand brand watches in FY2022 and thus the increase in gain on disposal of repossessed assets in FY2022 was recorded.

Other income, gains or losses

Other income decreased from approximately HK\$7.9 million in FY2021 to approximately HK\$3.0 million in FY2022, representing an decrease of approximately HK\$4.9 million or 62.0%, 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\$2.1 million in FY2021 and no such income in FY2022; (ii) a decrease in our credit-related fee income by approximately HK\$0.9 million representing early repayment fees and handling charges from our mortgage loan customers; (iii) a decrease in rental income by approximately HK\$1.3 million; netting off with the increase in rent concession received from landlord due to COVID-19 of approximately HK\$0.3 million.

Operating expenses

Operating expenses decreased by approximately HK\$1.0 million or 1.8% from approximately HK\$55.6 million in FY2021 to approximately HK\$54.6 million in FY2022.

During FY2022, staff costs slightly increased by approximately HK\$0.4 million or 1.4% from approximately HK\$29.1 million in FY2021 to approximately HK\$29.5 million in FY2022. The increase was mainly contributed by the increase in the salaries and other benefits to staff of approximately HK\$0.3 million.

According to HKFRS 16, all operating lease with contract terms more than 1 year 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 remained stable at approximately HK\$13.2 million in FY2021 and FY2022.

Apart from staff costs, rental expenses and depreciation for right-to-use assets as mention above, other operating expenses decreased by approximately HK\$1.4 million or 10.5% from approximately HK\$13.3 million in FY2021 to approximately HK\$11.9 million in FY2022. This was mainly due to the decrease in advertising expenses and legal and professional fees by approximately HK\$0.4 million and HK\$0.9 million respectively.

Finance costs

During the year, the finance costs decreased by approximately HK\$8.5 million or 40.7% from approximately HK\$20.9 million in FY2021 to approximately HK\$12.4 million in FY2022. It was mainly due to the decrease in bank loans and overdrafts, other loans and debt securities issued in FY2022.

Charged for impairment losses on loan receivables

For FY2022

The charge for impairment losses on loan receivables of approximately HK\$2.3 million in FY2022 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 in FY2021) which had been overdue for more than 1 year and management considered that the valuation of the collateral of the respective loan cannot fully cover the outstanding amount and the said loan had been written-off during the year.

For FY2021

The charge for impairment losses on loan receivables of approximately HK\$2.0 million in FY2021 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 in previous years) which had been overdue for more than 1 year and the management considered there is an increasing possibility which the valuation of the collateral of the respective loan cannot fully cover the outstanding amount.

Income tax expenses

Our Group's effective tax rate decreased from approximately 16.9% in FY2021 to approximately 16.3% in FY2022. The decrease was mainly due to additional assessment amounted of approximately HK\$1.0 million charged in FY2021 and no such expenses in FY2022.

Profit and total comprehensive income for the year

Our Group's profit for FY2022 decreased to approximately HK\$71.7 million from approximately HK\$93.1 million in FY2021, representing a decrease of approximately HK\$21.4 million or 23.1%. The decrease was mainly attributable to the decrease in revenue and other revenue by approximately HK\$30.8 million and HK\$4.9 million respectively, netting off with the decrease in finance costs amounted to approximately HK\$8.5 million.

Liquidity and financial resources

During FY2022, 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 28 February 2022.

As at 28 February 2022, cash and cash equivalents (net of bank overdraft) amounted to approximately HK\$206.6 million, representing a net decrease of approximately HK\$38.7 million as compared to the position as at 28 February 2021. The decrease was attributable to the following items:

	For the year ended 28 February 2022	For the year ended 28 February 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	123,481	471,661
Payments for the purchase of plant and equipment	(816)	(50)
Repayments of debt securities	(75,000)	–
Net repayments of other loans	(23,312)	(100,800)
Net repayments of bank loans	(2,863)	(55,591)
Net repayments in loans from the immediate holding company	–	(56,500)
Payments for repurchase of shares	(922)	(1,736)
Dividend paid	(36,691)	(37,874)
Finance costs paid	(12,465)	(20,532)
Government subsidy received	–	2,102
Other net outflow	(10,086)	(11,104)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(38,674)	189,576

Pledge of assets

As at 28 February 2022, the Group had pledged its mortgage loan receivables with net book value of approximately HK\$84.4 million (28 February 2021: approximately HK\$304.3 million) for the purpose of obtaining facilities from other independent third parties.

Contingent liabilities

There were no significant contingent liabilities for the Group as at 28 February 2022.

Key financial ratios

	As at 28 February 2022	As at 28 February 2021
Current ratio ⁽¹⁾	8.9x	6.5x
Gearing ratio ⁽²⁾	15.0%	26.2%
	For the year ended 28 February 2022	For the year ended 28 February 2021
Return on total assets ⁽³⁾	6.2%	7.6%
Return on equity ⁽⁴⁾	7.3%	9.8%
Net profit margin ⁽⁵⁾	47.2%	51.0%
Net interest margin ⁽⁶⁾	15.0%	13.7%
– pawn loan services	38.7%	40.2%
– mortgage loan services	9.9%	10.0%

Notes:

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

Current ratio

Our Group's current ratio increased from approximately 6.5 times as at 28 February 2021 to approximately 8.9 times as at 28 February 2022, which was mainly due to the decrease in other loans, bank loans and overdrafts and current portion of debt securities issued that were amounted to approximately HK\$23.3 million, HK\$2.7 million and HK\$25.0 million respectively.

Gearing ratio

Our Group's gearing ratio decreased from approximately 26.2% as at 28 February 2021 to approximately 15.0% as at 28 February 2022, which was mainly triggered by the decrease in other loans, bank loans and overdrafts and debt securities issued which were amounted to approximately HK\$23.3 million, HK\$2.7 million and HK\$75.0 million respectively as a result of the decrease of our mortgage loan portfolio.

Return on total assets and return on equity

Our return on total assets decrease from approximately 7.6% in FY2021 to 6.2% in FY2022. The decrease was mainly attributable to the decrease in our revenue in mortgage business by approximately HK\$35.9 million in FY2022 as the management adopted a prudent strategy on mortgage business during FY2022.

Our return on equity decreased from approximately 9.8% in FY2021 to approximately 7.3% in FY2022. This was mainly due to the decrease in gearing ratio during FY2022. In view of the current volatile market conditions, the management of the Company decided to adopt a prudent strategy in granting new loans and thus less funding was required during FY2022. This led to a drop in the Group's borrowings and thereby limited the available funds of the Group to lend to our customers. As such, the Group's return on equity decreased in FY2022 notwithstanding the positive net interest margin of the Group.

Net profit margin and net interest margin

There was an increase in our net interest margin from approximately 13.7% in FY2021 to approximately 15.0% in FY2022. The reason for such an increase was mainly due to the decrease in finance cost by approximately HK\$8.5 million during FY2022.

There was a decrease in our net profit margin from approximately 51.0% in FY2021 to approximately 47.2% in FY2022. The reason for the decrease was mainly due to the decrease in our revenue in mortgage business by approximately HK\$35.9 million in FY2022.

PROSPECTS

With a high vaccination rate and a growing mass immunity from previous infection, it is expected that COVID-19 pandemic will pose less of a threat to Hong Kong. The continuous travel restrictions had undermined the city's competitiveness and business operations were unable to return to normal. We believe that future loan demand in Hong Kong will depend largely on the government's disease prevention measures. Local businesses, especially SMEs will continue to be prudent regarding future expansion until they see a substantial resumption of vital economic activities.

The uncertainties of macro-economy and geopolitical risks are also expected to linger, with the USA's tightening policy and the evolving pandemic being pivotal to market sentiments. In planning ahead of the upcoming financial year, the Group anticipates there will be more challenges to overcome.

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 its loan-to-value ratio, adopting a more cautious approach when granting loans, in order to maintain financial stability of the Group and wait for market recovery.

Meanwhile, the Group will continue to seize opportunities and strive to create the best interests for our shareholders and the Company. The Group is currently developing a mobile APP to provide a quick and easy alternative financing solution to its customers, as well as to capture opportunities of the online pawn loan market.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 19 February 2013.

As at 28 February 2022, being the financial year end of FY2022 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 28 February 2022;
- 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 28 February 2022, our Group had a total of 50 staff (28 February 2021: 51). Total staff costs (including Directors' emoluments) were approximately HK\$29.5 million for FY2022 (FY2021: approximately HK\$29.1 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of each individual employee. Bonus based on individual performance will be paid to employees as 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY2022, the Company repurchased a total of 3,496,000 shares of the Company on the Stock Exchange at the aggregate consideration of approximately HK\$0.9 million (before expenses). All the repurchased shares were cancelled during FY2022, except for 440,000 shares which are cancelled in March 2022.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate Consideration (before expenses) (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
August 2021	2,344,000	\$0.280	\$0.255	632
September 2021	712,000	\$0.265	\$0.250	184
February 2022	440,000	\$0.255	\$0.240	106
Total	<u>3,496,000</u>			<u>922</u>

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 FY2022.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not engage in any material acquisitions or disposals during FY2022.

FOREIGN CURRENCY EXPOSURE

The business activities of the Group were denominated in HKD. The Directors did not consider the Group was exposed to any significant foreign exchange risks during FY2022. As the impact from foreign exchange exposure was minimal, the Directors were of the view that no hedging against foreign currency exposure was necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary actions to minimise the exchange related risks.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of FY2022 and up to the date of this announcement, there was no important or significant events that affects the business of the Group.

CORPORATE GOVERNANCE CODE

Our Company has adopted the code provisions set out in the Corporate Governance Code (the “**Code Provisions**”) and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

Throughout FY2022, our Company complied with the Code Provisions, save for the deviation from Code Provision A.2.1 and Code Provision A.6.7 which is explained below.

Code Provision A.2.1 requires that the roles of the chairman and the chief executive to be separate and should not be performed by the same individual. Mr. Chan Kai Ho Edward (“**Mr. Chan**”), an executive Director, currently holds both positions. Mr. Chan has been the key leadership figure of our Group and has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group’s operations as he directly supervises other executive Directors and senior management of our Group. Taking into account the continuation of the implementation of our Group’s business plans, our Directors (including the independent non-executive Directors) consider that Mr. Chan is the best candidate for both positions and the present arrangements are beneficial and in the best interests of our Company and its shareholders (the “**Shareholders**” or “**our 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 his urgent family matter.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by our Directors. Our Company confirms that, having made specific enquiry of all the Directors, our Directors complied with the required standards as set out in the Model Code during FY2022.

REVIEW OF FINAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely, Mr. Lam On Tai, Dr. Leung Shiu Ki Albert and Dr. Yip Ngai (“**Dr. Yip**”), and is chaired by Dr. Yip.

The Audit Committee has discussed with the management of the Company about the internal control and financial reporting matters including the accounting principles and practices related to the preparation of the consolidated financial statements for FY2022, and it has not identified any significant deficiency or material weakness. The Audit Committee has also reviewed the consolidated financial statements for FY2022 with the management and the auditor of the Company and recommended them to the Board for approval.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 28 February 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of our Company for FY2022 is scheduled to be held on Thursday, 28 July 2022 (the “**AGM**”). A notice convening the AGM will be issued and disseminated to our Shareholders in due course.

DIVIDEND

At our Board meeting held on Wednesday, 25 May 2022 (the “**Board Meeting**”), our Directors recommended the payment of a final dividend (the “**Final Dividend**”) of HK0.71 cents per ordinary share. In addition, during the Board Meeting, our Directors also recommended the payment of a special dividend (the “**Special Dividend**”) of HK0.37 cents per ordinary share to the Shareholders in recognition of their continuous support to the Company.

The Final Dividend and the Special Dividend, together with the interim dividend of HK0.78 cents per share declared and paid during FY2022, represent 50.1% of the profit attributable to the Shareholders for FY2022.

The Final Dividend and the Special Dividend are subject to approval by the Shareholders at the AGM and will be paid on Tuesday, 23 August 2022 to the Shareholders whose names appear on the register of members of our Company at the close of business on Monday, 8 August 2022.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of our Shareholders who are entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company’s Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on Friday, 22 July 2022. The register of members of our Company will be closed from Monday, 25 July 2022 to Thursday, 28 July 2022, both days inclusive, during which period no transfer of shares will be registered.

In order to establish the identity of the Shareholders of our Company who are entitled to the Final Dividend and the Special 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 Tuesday, 2 August 2022. The register of members of our Company will be closed from Wednesday, 3 August 2022 to Monday, 8 August 2022, both days inclusive, during which no transfer of shares will be registered.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is also published on our Company's website (www.pawnshop.com.hk) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 28 February 2022 containing all relevant information required by the Listing Rules will be disseminated to our Shareholders and will be available on the above websites in due course.

By Order of the Board of
Oi Wah Pawnshop Credit Holdings Limited
Chan Kai Ho Edward

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 25 May 2022

As at the date of this announcement, the Board comprises Mr. Chan Kai Ho Edward (Chief Executive Officer and Chairman), Mr. Chan Chart Man, Ms. Chan Mei Fong and Ms. Chan Ying Yu as executive Directors; Mr. Chan Kai Kow 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.