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Oi Wah Pawnshop Credit Holdings Limited

靄華押業信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1319)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2022, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	Six months ended		Change
	2022	2021	
	HK\$'000	HK\$'000	
Revenue	81,991	76,201	7.6%
Profit before taxation	52,684	44,807	17.6%
Profit for the period attributable to shareholders	44,120	37,611	17.3%
Net profit margin	53.8%	49.4%	
Basic earnings per share (in HK cents)	2.3	1.9	
Net interest margin	<i>Note 1</i> 15.6%	14.8%	
For pawn loan services	37.1%	40.1%	
For mortgage loan services	10.6%	9.8%	
	As at	As at	
	31 August	28 February	
	2022	2022	
	HK\$'000	HK\$'000	
Gross loan receivables – principal	<i>Note 2</i> 1,016,829	890,322	14.2%
– Pawn receivables of amortised cost	60,675	55,510	
– Pawn receivables of fair value through profit or loss	119,468	108,516	
– Mortgage receivables of amortised cost	836,686	726,296	
Total assets	1,187,749	1,155,814	2.76%
Total equity	1,005,902	982,911	2.34%

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 2022

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 2022, with the comparative figures for the corresponding period in 2021 as follows:

Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

for the six months ended 31 August 2022

(Expressed in Hong Kong dollars)

	Notes	Six months ended 31 August	
		2022 \$'000 (unaudited)	2021 \$'000 (unaudited)
Revenue	5	81,991	76,201
Other income	6	2,060	1,778
Operating income		84,051	77,979
Other operating expenses	7(b)	(26,735)	(24,618)
Charge for impairment losses on loan receivables		–	(1,200)
Profit from operations		57,316	52,161
Finance costs	7(a)	(4,632)	(7,354)
Profit before taxation		52,684	44,807
Income tax	8	(8,564)	(7,196)
Profit and total comprehensive income for the period attributable to shareholders		44,120	37,611
Earnings per share (in HK cents)	9	2.3	1.9

Condensed Consolidated Statement of Financial Position

as at 31 August 2022

(Expressed in Hong Kong dollars)

	<i>Notes</i>	31 August 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Non-current assets			
Plant and equipment		1,158	1,401
Right-of-use assets	<i>10</i>	19,052	20,271
Loan receivables	<i>11</i>	113,509	34,284
Other receivables	<i>12</i>	4,522	6,359
Deferred tax assets		105	92
		<u>138,346</u>	<u>62,407</u>
Current assets			
Repossessed assets		5,760	7,481
Loan receivables	<i>11</i>	924,757	873,052
Trade and other receivables	<i>12</i>	6,246	5,234
Tax recoverable		–	868
Cash and cash equivalents	<i>13</i>	112,640	206,772
		<u>1,049,403</u>	<u>1,093,407</u>
Current liabilities			
Accruals and other payables	<i>14</i>	7,288	4,514
Bank loans and overdrafts	<i>15</i>	33,114	12,142
Lease liabilities	<i>10</i>	8,667	8,385
Loans from the immediate holding company	<i>17</i>	47,500	47,500
Debt securities issued	<i>18</i>	37,988	49,974
Tax payable		3,270	–
		<u>137,827</u>	<u>122,515</u>
Net current assets		<u>911,576</u>	<u>970,892</u>
Total assets less current liabilities		<u>1,049,922</u>	<u>1,033,299</u>

	<i>Notes</i>	31 August 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Non-current liabilities			
Debt securities issued	<i>18</i>	32,954	37,938
Lease liabilities	<i>10</i>	11,066	12,450
		<u>44,020</u>	<u>50,388</u>
NET ASSETS		<u>1,005,902</u>	<u>982,911</u>
CAPITAL AND RESERVES			
Capital	<i>19</i>	19,277	19,289
Reserves		986,625	963,622
TOTAL EQUITY		<u>1,005,902</u>	<u>982,911</u>

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 August 2022

(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 2022 and 1 March 2022 (audited)	<u>19,289</u>	<u>14,726</u>	<u>44,963</u>	<u>2,095</u>	<u>12,001</u>	<u>889,837</u>	<u>982,911</u>
Profit and total comprehensive income	-	-	-	-	-	44,120	44,120
Purchase of own shares	(12)	(309)	-	12	-	-	(309)
Special dividend declared and paid in respect of previous year (note 19(b))	-	-	-	-	-	(7,137)	(7,137)
Final dividend declared and paid in respect of previous year (note 19(b))	-	-	-	-	-	(13,683)	(13,683)
At 31 August 2022 (unaudited)	<u>19,277</u>	<u>14,417</u>	<u>44,963</u>	<u>2,107</u>	<u>12,001</u>	<u>913,137</u>	<u>1,005,902</u>
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>

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 August 2022

(Expressed in Hong Kong dollars)

	Six months ended 31 August	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
Operating activities		
Operating cash flows before changes in working capital	60,630	58,209
(Increase) decrease in loan receivables	(130,932)	19,862
Other cash flows generated from operations	5,419	1,231
	<hr/>	<hr/>
Cash (used in) generated from operations	(64,883)	79,302
Hong Kong Profits Tax paid	(4,439)	(5,337)
	<hr/>	<hr/>
Net cash (used in) generated from operating activities	(69,322)	73,965
	<hr/>	<hr/>
Investing activities		
Payment for the purchase of plant and equipment	(9)	(49)
Other cash flows generated from investing activities	44	13
	<hr/>	<hr/>
Net cash generated from (used in) investing activities	35	(36)
	<hr/>	<hr/>
Financing activities		
Dividends paid	(20,820)	(21,643)
Repayments of debt securities	(17,000)	(50,000)
Finance costs paid	(4,162)	(8,603)
Repayments of principal on lease liabilities	(3,786)	(4,819)
Repayments of bank loans	(3,000)	(8,946)
Repayments of interest on lease liabilities	(539)	(339)
Payment of purchase of own shares	(309)	(632)
Repayments of other loans	–	(23,312)
New bank loans raised	10,000	19,544
Government subsidy received	799	–
	<hr/>	<hr/>
Net cash used in financing activities	(38,817)	(98,750)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(108,104)	(24,821)
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of period (note 13)	206,630	245,304
	<hr/>	<hr/>
Cash and cash equivalents at the end of period (note 13)	98,526	220,483
	<hr/>	<hr/>
Analysis of components of cash and cash equivalents:		
Bank balances and cash (note 13)	112,640	220,902
Bank overdrafts (note 13)	(14,114)	(419)
	<hr/>	<hr/>
	98,526	220,483
	<hr/>	<hr/>

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 2022 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 2022 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 2022 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

The application of the amendments to HKFRSs in the current interim period 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 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	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
Revenue from pawn loan business		
– Interest income from pawn loan receivables at FVPL	26,862	24,613
– Interest income from pawn loan receivables calculated using the effective interest method	7,681	4,315
– Gain on disposal of repossessed assets	2,141	4,518
	<u>36,684</u>	<u>33,446</u>
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	45,307	42,755
	<u>45,307</u>	<u>42,755</u>
Total	<u>81,991</u>	<u>76,201</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 2022 amounted to HK\$21.6 million (six months ended 31 August 2021: HK\$17.0 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	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
Government subsidy (Note a)	799	–
COVID-19-related rent concession (Note b)	611	472
Credit related fee income	310	551
Rental income	277	518
Bank interest income	44	13
Others	19	224
	<u>2,060</u>	<u>1,778</u>

Notes:

- (a) During the six months ended 31 August 2022, the Group recognised the COVID-19-related subsidies, of which amounted to approximately HK\$799,000 related to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region under the AntiEpidemic Fund. Government grants has 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 period as the Group fulfilled all the relevant granting criteria. No such subsidy has been granted during the six months 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:

	Six months ended 31 August	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
(a) Finance costs		
Interest on debt securities issued	2,368	4,642
Interest on other loans	–	702
Interest on loans from the immediate holding company	1,197	1,197
Interest on bank loans and overdrafts	528	474
Interest on lease liabilities	539	339
	<u>4,632</u>	<u>7,354</u>
(b) Other operating expenses		
Premises and equipment expenses excluding depreciation		
– rental of premises	2,054	1,537
– maintenance, repairs and others	432	532
	<u>2,486</u>	<u>2,069</u>
Depreciation of plant and equipment	252	239
Depreciation of right-of-use assets	4,514	5,073
Net losses on loan receivables at FVPL	2	21
Staff costs	13,021	12,202
Advertising expenses	1,208	1,370
Auditor's remuneration	425	415
Legal and professional fees	1,066	703
Others	3,761	2,526
	<u>24,249</u>	<u>22,549</u>
	<u><u>26,735</u></u>	<u><u>24,618</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	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
Provision for the period		
– Current tax	8,577	7,407
Deferred taxation	(13)	(211)
	<u>8,564</u>	<u>7,196</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%.

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	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to shareholders of the Company	<u>44,120</u>	<u>37,611</u>

Weighted average number of ordinary shares

	Six months ended 31 August	
	2022	2021
	Number of shares '000 (unaudited)	Number of shares '000 (unaudited)
Issued ordinary shares at 1 March	1,928,876	1,932,372
Effect of purchase of own shares (note 19(a))	<u>(603)</u>	<u>(190)</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,928,273</u>	<u>1,932,182</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

(i) Right-of-use assets

	31 August 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Leased properties – buildings	<u>19,052</u>	<u>20,271</u>

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

Additions to the right-of-use assets for the six months ended 31 August 2022 amounted to HK\$3,295,000 (2021: nil) due to new leases of buildings.

During the six months ended 31 August 2022, 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 2022, the Group recognises rental income from subleasing right-of-use assets of approximately HK\$277,000 (six months ended 31 August 2021: HK\$518,000).

(ii) Lease liabilities

	31 August 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Current	8,667	8,385
Non-current	<u>11,066</u>	<u>12,450</u>
	<u><u>19,733</u></u>	<u><u>20,835</u></u>

Rent concessions

During the six months ended 31 August 2022 and 2021, 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 2022, rent concessions totalling approximately HK\$611,000 (six month ended 31 August 2021: HK\$472,000) 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

	Six months ended 31 August	
	2022 \$'000 (unaudited)	2021 \$'000 (unaudited)
Depreciation of right-of-use assets – leased properties	4,514	5,073
Interest on lease liabilities	539	339
Expenses relating to short-term leases	2,054	1,537
Rent concession related to COVID-19 (<i>Note</i>)	(611)	(472)
Income from subleasing right-of-use assets	<u>(277)</u>	<u>(518)</u>

Note: As disclosed in 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

During the six months ended 31 August 2022, the total cash outflow for leases amounted to approximately HK\$6,379,000 (six months ended 31 August 2021: HK\$6,695,000).

11 LOAN RECEIVABLES

	31 August 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Loan receivables at amortised cost:		
– Pawn loans	60,675	55,510
– Accrued interests of pawn loans	1,008	833
	<hr/>	<hr/>
Pawn loan receivables	61,683	56,343
	<hr/>	<hr/>
– Mortgage loans	836,686	726,296
– Accrued interests of mortgage loans	10,759	7,023
	<hr/>	<hr/>
Net mortgage loan receivables	847,445	733,319
	<hr/>	<hr/>
Net loan receivables at amortised cost	909,128	789,662
	<hr/>	<hr/>
Loan receivables at FVPL:		
– Pawn loans	129,138	117,674
	<hr/>	<hr/>
Total loan receivables	1,038,266	907,336
	<hr/>	<hr/>
Current portion included under current assets	(924,757)	(873,052)
	<hr/>	<hr/>
Amounts due after one year included under non-current assets	113,509	34,284
	<hr/> <hr/>	<hr/> <hr/>

During the six months ended 31 August 2022, no impairment losses (six months ended 31 August 2021: HK\$1.2 million) was recognised as expense in accordance with the expected credit loss model. As at 28 February 2022, the Group had written off approximately HK\$7.3 million (31 August 2022: nil) expected credit loss as the borrower was failed 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>
31 August 2022 (unaudited)				
Not past due	59,532	125,827	621,850	807,209
Less than 1 month past due	867	1,977	90,838	93,682
1 to less than 3 months past due	981	776	24,551	26,308
3 to less than 6 months past due	303	558	78,290	79,151
6 months to 1 year past due	–	–	31,916	31,916
	<u>61,683</u>	<u>129,138</u>	<u>847,445</u>	<u>1,038,266</u>
28 February 2022 (audited)				
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>

As at 31 August 2022 and 28 February 2022, of these mortgage loans which had been past due for one month or above, the respective valuations of the collaterals can fully cover the outstanding balances of these loans at the end of the 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 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Non-current		
Others	<u>4,522</u>	<u>6,359</u>
Current		
Trade receivables	–	320
Deposits and payments in advance	6,144	4,812
Others	<u>102</u>	<u>102</u>
	<u>6,246</u>	<u>5,234</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 was approximated to the respective revenue recognition dates at the end of the reporting period is as follows:

	31 August 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
0-60 days	<u>–</u>	<u>320</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 (31 August 2022: nil).

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 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Cash on hand	7,309	7,132
Cash at banks	105,331	199,640
Cash and cash equivalents in the condensed consolidated statement of financial position	112,640	206,772
Bank overdrafts (<i>note 15</i>)	(14,114)	(142)
Cash and cash equivalents in the condensed consolidated statement of cash flows	98,526	206,630

Cash at bank carries interest at prevailing market rates for both reporting periods.

14 ACCRUALS AND OTHER PAYABLES

	31 August 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Accrued interest expense	839	938
Accrued expenses	3,722	2,223
Provision for long services payment	981	690
Other payable and deposits received	1,746	663
	7,288	4,514

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 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Unsecured bank overdrafts (<i>note a</i>)	14,114	142
Bank loans, secured (<i>note b</i>)	10,000	–
Bank loans, unsecured (<i>note c</i>)	9,000	12,000
	<hr/> 33,114 <hr/>	<hr/> 12,142 <hr/>
Total bank loans and overdrafts		
Analysed for reporting purposes as:		
Current	33,114	12,142
	<hr/> 33,114 <hr/>	<hr/> 12,142 <hr/>

Notes:

- (a) As at 31 August 2022, unsecured bank overdraft facilities of approximately HK\$41.5 million (28 February 2022: HK\$41.5 million) were provided to the subsidiaries and utilised to the extent as disclosed above. As at 31 August 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 (28 February 2022: 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 had approximately HK\$27.4 million (28 February 2022: HK\$41.4 million) undrawn unsecured bank overdraft facilities carried floating interest rate and expiring beyond one year.
- (b) During the period ended 31 August 2022, a new uncommitted secured revolving bank loan facility of the lower of HK\$20.0 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. As at 31 August 2022, together with the existing secured bank revolving loan facility, the total secured bank revolving loan facilities of the lower of HK\$145.0 million (28 February 2022: 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 total available secured bank revolving loan facility after taking into consideration of the drawdown was HK\$28.6 million (28 February 2022: nil). The loan facility was secured by certain mortgage loan receivables for the Group with a carrying value of approximately HK\$244.8 million (28 February 2022: nil). As at 31 August 2022, the secured revolving bank loans carried floating interest rate of three months Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 3.50% per annum and one month HIBOR plus 4% per annum. As at the end of the reporting period, the new bank facility is expiring beyond one year while the existing bank facility is expiring within three years.
- (c) As at 31 August 2022, unsecured bank loan facilities of approximately HK\$24.0 million (28 February 2022: HK\$27.0 million) were provided to the Company and the subsidiaries and utilised to the extent as disclosed above. As at 31 August 2022, the bank loans carried floating interest rate which ranged from prime rate minus 0.75% and one month HIBOR plus 5.45% per annum (28 February 2022: prime rate minus 0.75% and one month HIBOR plus 5.45% per annum). As at the end of the reporting period, the Group had approximately HK\$15.0 million (28 February 2022: HK\$15.0 million) undrawn unsecured bank loan facility carried floating interest rate and expiring within one year.

During the period ended 31 August 2022 and year ended 28 February 2022, 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.

16 OTHER LOANS

During the six months ended 31 August 2022, the Group obtained uncommitted secured revolving loan facility from an independent third party. The limit of the facility is the lower of HK\$200.0 million (28 February 2022: 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 2022: HSBC prime rate plus 2% per annum) and the tenor for the facility is one year.

As at 31 August 2022, the available uncommitted loan facility after taking into consideration of the drawdown was HK\$42.1 million (28 February 2022: HK\$67.5 million). The loan facility was secured by certain mortgage loan receivables for the Group with a carrying value of approximately HK\$52.7 million (28 February 2022: HK\$84.4 million).

17 LOANS FROM THE IMMEDIATE HOLDING COMPANY

During the six months ended 31 August 2022, the Group obtained an unsecured revolving loan facility from the immediate holding company with a facility limit of HK\$200.0 million (28 February 2022: HK\$200.0 million). The loans are interest-bearing at 5% per annum (28 February 2022: 5% per annum).

At 31 August 2022, the available loan facility after taking into consideration of the drawdown was approximately HK\$152.5 million (28 February 2022: HK\$152.5 million) and the accrued interest payable as of 31 August 2022 was approximately HK\$31,000 (28 February 2022: HK\$23,000).

18 DEBT SECURITIES ISSUED

	31 August 2022 \$'000 (unaudited)	28 February 2022 \$'000 (audited)
Current	37,988	49,974
Non-current	32,954	37,938
	<u>70,942</u>	<u>87,912</u>

The debt securities are unsecured, denominated in HK\$, interest-bearing ranging from 6% to 7% per annum (28 February 2022: 6% to 7% per annum) with interest coupon being paid semi-annually and are matured between 2022 and 2025. All debt securities issued are measured at amortised cost.

During the six months ended 31 August 2022, the Group repaid debt securities on maturity date amounting to HK\$17.0 million (six months ended 31 August 2021: HK\$ 50.0 million).

19 CAPITAL AND DIVIDENDS

(a) Share Capital

	Par value \$	No of shares '000	Nominal value of ordinary shares \$'000
Authorised:			
At 1 March 2021, 31 August 2021 and 1 March 2022, 31 August 2022	0.01	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
At 1 March 2021 (audited)	0.01	1,932,372	19,324
Purchase of own shares (note)	0.01	<u>(3,496)</u>	<u>(35)</u>
At 28 February 2022 and 1 March 2022 (audited)	0.01	1,928,876	19,289
Purchase of own shares (note)	0.01	<u>(1,152)</u>	<u>(12)</u>
31 August 2022 (unaudited)	0.01	<u>1,927,724</u>	<u>19,277</u>

Note: During the six months ended 31 August 2022, the Company repurchased 1,152,000 shares (year ended 28 February 2022: 3,496,000) of the Company on The Stock Exchange with prices ranging from HK\$0.238 to HK\$0.275 (year ended 28 February 2022: HK\$0.240 to HK\$0.280). The total consideration paid for these shares was approximately HK\$309,000 (year ended 28 February 2022: HK\$922,000). All these shares were cancelled by 31 August 2022 (year ended 28 February 2022: Of the 3,496,000 repurchased shares, 3,056,000 shares were cancelled before year ended and 440,000 shares were cancelled in March 2022).

For the six months ended 31 August 2022

Month	Number of shares repurchased ('000)	Purchase price per share		Aggregate consideration (\$'000)
		Highest	Lowest	
March 2022	56	\$0.238	\$0.238	13
June 2022	<u>1,096</u>	\$0.275	\$0.270	<u>296</u>
	<u>1,152</u>			<u>309</u>

For the year ended 28 February 2022

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

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 at approximately HK\$12,000 (year ended 28 February 2022: HK\$35,000) was transferred from share premium to the capital redemption reserve. The payments for purchase of own shares with approximately HK\$309,000 (year ended 28 February 2022: HK\$922,000) 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 2022:

	Six months ended 31 August	
	2022 \$'000 (unaudited)	2021 \$'000 (unaudited)
Interim dividend declared after the interim period of 0.92 cents per ordinary share (2021: 0.78 cents per ordinary share)	<u>17,648</u>	<u>15,054</u>

The interim dividend declared for the period ended 31 August 2022 will be satisfied by way of cash. The interim dividend declared for the period ended 31 August 2021 has been paid by way of cash during the year ended 28 February 2022.

- (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	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 0.71 cents per ordinary share (2021: 0.64 cents per ordinary share)	13,683	12,368

- (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	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
Special dividend in respect of the previous financial year, approved and paid during the following interim period of 0.37 cents per ordinary share (2021: 0.48 cents per ordinary share)	7,137	9,275

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	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
Salary and other benefits	3,697	3,573
Contributions to Mandatory Provident Fund	45	45
Others	15	15
	3,757	3,633

(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	
	2022	2021
	\$'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
	<hr/> <hr/>	<hr/> <hr/>
Management fee incurred to		
– Kwan Chart Holding	20	20
	<hr/> <hr/>	<hr/> <hr/>
	31 August	28 February
	2022	2022
	\$'000	\$'000
	(unaudited)	(audited)
Rental deposits placed with		
– Kwan Chart Holding	160	160
– Kwan Chart Estate	110	110
– Mr. Chan Chart Man	180	180
	<hr/> <hr/>	<hr/> <hr/>
Management fee deposit placed with		
– Kwan Chart Estate	23	23
	<hr/> <hr/>	<hr/> <hr/>

The Group entered into a 1-year (six months ended 31 August 2021: 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 2022, the amount payable by the Group under the lease was HK\$80,000 per month (six months ended 31 August 2021: HK\$80,000 per month) and pay a monthly management fee of HK\$3,300 (six months ended 31 August 2021: HK\$3,300 per month). The lease contract had expired during the period ended 31 August 2022 and 2021 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 2021: HK\$80,000) and pay a monthly management fee of HK\$3,300 (six months ended 31 August 2021: HK\$3,300 per month) at terms mutually agreed by the parties thereafter. During the contract period, the management fee may be increased by a maximum of 30% (up to HK\$4,290) if and only if the respective management fee payable by Kwan Chart Holding increases.

The Group entered into a 1-year (six months ended 31 August 2021: 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 2022, the amount payable by the Group under the lease was HK\$55,000 per month (six months ended 31 August 2021: HK\$55,000 per month). The lease contract had expired during the period ended 31 August 2022 and 2021 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 2021: HK\$55,000) at terms mutually agreed by the parties thereafter.

The Group entered into a 1-year (six months ended 31 August 2021: 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 2022, the amount payable by the Group under the lease was HK\$90,000 per month (six months ended 31 August 2021: HK\$90,000). The lease contract had expired during the period ended 31 August 2022 and 2021 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 2021: HK\$90,000) at terms mutually agreed by the parties thereafter.

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 2022 (“**FP2023**” or “**the period**”), loan demand rose as the economic activities were picked up gradually under the loosened COVID-19 social distancing measures. During the period, the interest income of the mortgage loan business of the Group increased by approximately HK\$2.5 million or 5.8% from approximately HK\$42.8 million for the six months ended 31 August 2021 (“**FP2022**”) to approximately HK\$45.3 million in FP2023, which accounted for approximately 55.3% of the Group’s total revenue. The gross mortgage loan receivable was approximately HK\$836.7 million as at 31 August 2022 with the total new mortgage loans granted amounted to approximately HK\$375.0 million in FP2023. During the period, net interest margin of the mortgage loan business increased by approximately 0.8% to approximately 10.6% (FP2022: 9.8%). There were 54 new cases of mortgage loan transactions.

Though the Hong Kong economy remained on track for recovery, some enterprises were unable to weather the pandemic storm. Thus, the Group continued to keep a close eye on the performance of its loan portfolio, especially in respect of the repayment status of its existing customers. As a result, there was no bad debt recorded during the period. In FP2023, the loan-to-value ratio for first mortgage was approximately 53.7%, while the overall loan-to-value ratio for subordinate mortgage was approximately 51.7%, of which, loan-to-value ratio of subordinate mortgage that the Group participated in was approximately 5.1%.

PAWN LOAN BUSINESS

During the period, the interest income generated from the pawn loan business increased by approximately HK\$5.7 million or 19.7% from approximately HK\$28.9 million in FP2022 to approximately HK\$34.6 million in FP2023. It is mainly attributable to the prevailing trend in investing in luxury goods, which promoted the relevant re-financing needs. However, due to the price fluctuation of second-hand luxury market, the Group recorded gain from disposal on repossessed assets of approximately HK\$2.1 million, representing a decrease of approximately 53.3%.

During the period, the Group continued to channel resources to advertising and promotion in order to enhance the Group's brand exposure. Such effort has generated demand of one-to-one pawn loan appointment services for pawn loans of loan size exceeding HK\$0.1 million. The number of pawn loan transactions with such amount granted increased from 227 transactions in FP2022 to 357 transactions in FP2023. Average loan amount increased to approximately HK\$15,000 per transaction (FP2022: HK\$11,100 per transaction).

In September 2022, the Group successfully acquired approximately HK\$8.0 million pawn loan receivables (principal amount) and opened a new pawnshop in Tuen Mun. Together with this new pawnshop, the Group is currently operating a total of 11 pawnshops. In addition, the Group continued to develop its mobile APP that enables customers to obtain pawn loans easily. The APP is expected to help promote the Group's pawn loan business at a lower promotional cost.

INDUSTRY OVERVIEW

During the period, gold prices have declined nearly US\$300 per ounce since surging past the USD2,050-mark in March, due to a string of U.S. interest rate increment and a surge in the value of the dollar. The second-hand prices of other luxury goods (i.e. wristwatches) also became very volatile after a booming year of increment. In such case, the Group will adopt further discount rate on collateral when granting pawn loans, so as to avoid potential losses from disposal on repossessed assets.

Meanwhile, Hong Kong's real estate market has seen a downside risk in 2022, especially when local banks raised their prime rates by 0.125 percentage points for the first time in four years following the US interest rate hike. Major research even expects a bubble risk of home prices, as household leverage rose and rents fell by more than mortgage payment, as well as higher mortgage rates and a weakened economic outlook. In response to this, the Group will continue to strengthen its risk management measures in mortgage loan business, in order to maintain financial stability of the Group.

FINANCIAL REVIEW

Revenue

Our Group's revenue increased from approximately HK\$76.2 million in FP2022 to approximately HK\$82.0 million in FP2023, representing an increase of approximately HK\$5.8 million or 7.6%. Detailed analysis of the increase in revenue during the period are as follow:

Mortgage loan business

The increase in our interest income derived from our mortgage loan business of approximately HK\$2.5 million or 5.8% (from approximately HK\$42.8 million in FP2022 to approximately HK\$45.3 million in FP2023) was due to the fact that loan demand rose as the economic activities were picked up gradually under the loosened COVID-19 social distancing measures. As such, the average month-end balance for the gross mortgage loans receivables for the period increased from approximately HK\$730.3 million in FP2022 to approximately HK\$780.2 million in FP2023 and the total amount of new mortgage loan granted during FP2023 was approximately HK\$375.0 million (FP2022: HK\$195.6 million).

Pawn loan business

Revenue from our pawn loan business increased from approximately HK\$33.4 million in FP2022 to approximately HK\$36.7 million in FP2023, representing an increase of approximately HK\$3.3 million or 9.9%. This was attributable to the increase in our interest income earned on our loan receivables by approximately HK\$5.7 million or 19.7% from approximately HK\$28.9 million in FP2022 to approximately HK\$34.6 million in FP2023, netting off against the decrease in gain on disposal of repossessed assets by approximately HK\$2.4 million or 53.3% from approximately HK\$4.5 million in FP2022 to approximately HK\$2.1 million in FP2023.

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\$144.2 million in FP2022 to approximately HK\$183.2 million in FP2023; and (ii) an increase in the aggregated amount of pawn loans granted from approximately HK\$380.8 million in FP2022 to approximately HK\$521.3 million in FP2023.

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 decrease in our gain on disposal of repossessed assets in FP2023 was mainly due to (i) the sudden significant drop of the price of brand watches in July and August 2022 and (ii) the decrease in the gold price per ounce from around US\$2,050 in March 2022 to around US\$1,750 in August 2022. Since every pawn loan has a loan term of four lunar months, the revenue decreased with the depreciation of gold price and brand watches in FP2023.

Other revenue

Other revenue increased from approximately HK\$1.8 million in FP2022 to approximately HK\$2.1 million in FP2023, representing an increase of approximately HK\$0.3 million or 16.7%, 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 burden of the businesses of approximately HK\$0.8 million in FP2023 and no such income was received in FP2022, netting off against the decrease in our rental income and credit related fee income by approximately HK\$0.2 million and HK\$0.2 million respectively.

Operating expenses

Operating expenses increased by approximately HK\$2.1 million or 8.5% from approximately HK\$24.6 million in FP2022 to approximately HK\$26.7 million in FP2023. During FP2023, staff costs slightly increased by approximately HK\$0.8 million or 6.6% from approximately HK\$12.2 million in FP2022 to approximately HK\$13.0 million in FP2023. The increase was mainly contributed by the increase in the salaries and bonus of approximately HK\$0.7 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 remained at approximately HK\$6.6 million in FP2022 and FP2023.

Apart from staff costs, rental expenses and depreciation for right-to-use assets of approximately HK\$18.8 million and HK\$19.6 million in FP2022 and FP2023 respectively as mentioned above, other operating expenses increased by approximately HK\$1.3 million or 22.4% from approximately HK\$5.8 million in FP2022 to approximately HK\$7.1 million in FP2023, which was mainly due to the increase in legal and professional fees by approximately HK\$0.3 million.

Finance costs

The finance costs decreased by approximately HK\$2.7 million or 37.0% from approximately HK\$7.3 million in FP2022 to approximately HK\$4.6 million in FP2023. It was mainly due to the decrease in debt securities issued in FP2023.

Charge for impairment losses on loan receivables

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. No impairment losses on loan receivables was recorded in FP2023.

Income tax expenses

Our Group's effective tax rate increased from approximately 16.1% in FP2022 to approximately 16.3% in FP2023. No material fluctuation was noted.

Profit and total comprehensive income for the period

Our Group's profit for FP2023 increased to approximately HK\$44.1 million from approximately HK\$37.6 million in FP2022, representing an increase of approximately HK\$6.5 million or 17.3%. The increase was mainly attributable to the increase in revenue of approximately HK\$5.8 million and the decrease in finance costs of approximately HK\$2.7 million, netting off against the increase in legal and professional fees of approximately HK\$0.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury policy and maintained a healthy financial position during FP2023. During FP2023, 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. Throughout FP2023, there was no material or significant impact of COVID-19 on the Group's liquidity and financial resources with reference to the operations and capital commitments.

As at 31 August 2022, all outstanding interest-bearing bank loans and overdrafts were denominated in Hong Kong dollars, repayable in one year and bore interest at variable rates. The bank loans and overdrafts were secured by (i) a sub-mortgage charge on certain loans receivable of a subsidiary of the Company; and/or (ii) a corporate guarantee executed by the Company. During FY2023, the Group had fulfilled all the financial covenants, if any, under the Group's banking facilities.

As at 31 August 2022, the loans from immediately holding company were repayable in one year and bore interest at 5% per annum. The loans were secured by a corporate guarantee executed by the Company.

As at 31 August 2022, the debt securities issued bore interest at 6% to 7%. Except for the amount which was approximate to HK\$38.0 million and shall be repayable in one year, the remaining shall be repayable over one year but less than five years.

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 2022.

As at 31 August 2022, cash and cash equivalents, after netting off against the bank overdraft, amounted to approximately HK\$98.5 million, representing a net decrease of approximately HK\$108.1 million as compared to the position as at 28 February 2022. Cash and cash equivalents as at 31 August 2022 were all denominated in Hong Kong dollars.

For FP2023, net cash outflow from operating activities of our Group amounted to approximately HK\$69.3 million which is mainly due to the increase in our loan receivables by approximately HK\$130.9 million. The net cash outflow from financing activities of our Group amounted to approximately HK\$38.8 million for FP2023. It was mainly contributed by the dividend payment, finance costs paid, the repayment for debt securities during FP2023 which were amounted to approximately HK\$20.8 million, HK\$4.2 million and HK\$17.0 million respectively, netting off against the net proceed for bank loans which was amounted to approximately HK\$10.0 million.

PLEDGE OF ASSETS

As at 31 August 2022, the Group had pledged its mortgage loan receivables with net book value of HK\$297.5 million for the purpose of obtaining the facility from banks and other independent third party.

As at 28 February 2022, the Group had pledged its mortgage loan receivables with net book value of HK\$84.4 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 2022.

FOREIGN CURRENCY EXPOSURE

The business activities of the Group were denominated in Hong Kong dollars. The Directors did not consider that the Group was exposed to any significant foreign exchange risks during FP2023. As the impact from foreign exchange exposure was minimal, the Directors were of the view that no hedging against foreign currency exposure was necessary and the Group currently has not used derivative financial instruments to hedge its foreign exchange risk. 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 foreign exchange related risks.

PROSPECTS

With the pandemic situation continue to be more stable, the Hong Kong government has eased travel restrictions to “0+3” quarantine-free medical surveillance. However, the market still remains conservative and the management expect the economic activities in Hong Kong will be steady strides along the path to normalcy if and only if all travel restrictions are lifted entirely. Hong Kong’s economy moderately contracted by 1.3% year-on-year in real terms in the second quarter of 2022, after a decrease of 3.9% in the first quarter of 2022. Considering the worse-than-expected economic performance in the first half of 2022 and the sharp deterioration of global economic prospects, the real Gross Domestic Product growth forecast for 2022 is revised downwards to -0.5%

to 0.5%. The Board is of the view that the reopen of Hong Kong and Mainland China border and an eventual economic recovery in Mainland China could become a new tailwind of the local economy. Before that, the Group will continue to remain prudent when granting loans and closely monitor the credit risk of its loan portfolio and wait for market recovery.

Challenges and opportunities always coexist. Being interest sensitive, the property market has become largely uncertain. At the same time, the rising interest rates enable the Group to improve its net interest margin and overall profitability. The Group will continue to strike a balance between business growth and risk management, and in turn to maximize return for its shareholders.

Looking forward, the Group will continue to explore and seize new business opportunities to further create value for its shareholders in the long run. In view of the rising loan demand, the Group is actively exploring to expand its branch network to more convenient locations (such as MTR stations) and serve as premium service centres for both pawn loan and mortgage loan. The Group plans to integrate with fintech and is currently developing a mobile APP that enable customers to make online appointments, get a quote of collateral evaluation and apply for pawn loan, etc.

KEY FINANCIAL RATIOS

	As at 31 August 2022	As at 28 February 2022
Current ratio ⁽¹⁾	7.6x	8.9x
Gearing ratio ⁽²⁾	15.1%	15.0%
	For the six months ended 31 August 2022	For the six months ended 31 August 2021
Return on total assets ⁽³⁾	7.4%	6.4%
Return on equity ⁽⁴⁾	8.8%	7.8%
Net profit margin ⁽⁵⁾	53.8%	49.4%
Net interest margin ⁽⁶⁾	15.6%	14.8%
– pawn loan services	37.1%	40.1%
– mortgage loan services	10.6%	9.8%

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 decreased from 8.9 times as at 28 February 2022 to 7.6 times as at 31 August 2022, which was mainly due to the decrease in cash and cash equivalent by approximately HK\$94.1 million and the increase in bank and bank overdrafts by approximately HK\$21.0 million.

Gearing ratio

Our Group's gearing ratio remained stable at approximately 15.0% as at 28 February 2022 and approximately 15.1% as at 31 August 2022 and no material changes were noted.

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

Our return on total assets, return on equity and net profit margin increased from approximately 6.4%, 7.8% and 49.4% in FP2022 to 7.4%, 8.8% and 53.8% in FP2023 respectively, which were mainly due to the increase in our net profit by approximately HK\$6.5 million in FP2023.

Net interest margin

There was an increase in our net interest margin from approximately 14.8% in FP2022 to approximately 15.6% in FP2023. The reason for such an increase was mainly due to the decrease in finance cost by approximately HK\$2.7 million during FP2023.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 19 February 2013. As at 31 August 2022, being the end of FP2023 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 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 31 August 2022, our Group had a total of 51 staff (28 February 2022: 50). The total staff costs (including directors' emoluments) were approximately HK\$13.0 million for FP2023 (FP2022: approximately HK\$12.2 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 FP2023.

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 FP2023, the Company repurchased a total of 1,152,000 shares of the Company on the Stock Exchange at the aggregate consideration of approximately HK\$0.3 million (before expenses). All the repurchased shares were cancelled during FP2023.

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\$)	
March 2022	56,000	0.238	0.238	13
June 2022	1,096,000	0.275	0.270	296

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 FP2023.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not engage in any material acquisitions or disposals during FP2023.

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 FP2023, save for Code Provisions C.2.1 (previous Code Provision A.2.1) and Code Provision C.1.6 (previous Code Provision A.6.7), the Company applied the principles in the Corporate Governance Code and complied with all the Code Provisions.

Code Provision C.2.1 (previous Code Provision A.2.1) 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 C.1.6 (previous 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 28 July 2022, an independent non-executive Director was absent due to illness.

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 FP2023.

REVIEW OF INTERIM RESULTS

The Group's condensed consolidated financial statements for the six months ended 31 August 2022 have not been audited, but have been reviewed by SHINEWING (HK) CPA Limited, the Company's external auditor, under Hong Kong Standard on Review Engagements 2410 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 2022. 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

In September 2022, the Group acquired pawn loan receivables (principal amount) of approximately HK\$8.0 million from an independent third party. After the acquisition, the Group opened a new pawnshop in Tuen Mun.

Save as disclosed above, there was no important or significant event that affects the business of the Group subsequent to 31 August 2022.

INTERIM DIVIDEND

On 27 October 2022, the Board declared an interim dividend of HK0.92 cents per ordinary share, representing approximately 40.2% of the profit attributable to the Shareholders for FP2023. The total payout for the interim dividend will amount to approximately HK\$17.6 million. The aforesaid interim dividend will be paid on 22 December 2022 to the Shareholders whose names appear on the register of members of our Company at the close of business on 8 December 2022.

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 5 December 2022. The register of members of our Company will be closed from 6 December 2022 to 8 December 2022, both days inclusive, during which no transfer of shares will be registered.

PUBLICATION

The interim results announcement of our Company for FP2023 is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.pawnshop.com.hk) respectively. The 2022 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 2022

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.