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## Oi Wah Pawnshop Credit Holdings Limited

靚華押業信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1319)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

#### FINANCIAL HIGHLIGHTS

	Six months ended		Change	
	31 August			
	2023	2022		
	HK\$'000	HK\$'000		
Revenue	90,201	81,991	10.0%	
Profit before taxation	59,332	52,684	12.6%	
Profit for the period attributable to shareholders	49,648	44,120	12.5%	
Net profit margin	55.0%	53.8%		
Basic earnings per share (in HK cents)	2.6	2.3		
Net interest margin	Note 1	16.3%	15.6%	
For pawn loan services		37.7%	37.1%	
For mortgage loan services		11.4%	10.6%	
	As at	As at		
	31 August	28 February		
	2023	2023		
	HK\$'000	HK\$'000		
Gross loan receivables – principal	Note 2	1,027,840	927,595	10.8%
– Pawn loan receivables of amortised cost		41,277	42,225	
– Pawn loan receivables of fair value through profit or loss		137,466	130,879	
– Mortgage loan receivables of amortised cost		849,097	754,491	
Total assets		1,188,581	1,153,570	3.0%
Total equity		1,062,926	1,030,045	3.2%

*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 2023

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 2023, with the comparative figures for the corresponding period in 2022 as follows:

### Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

for the six months ended 31 August 2023

(Expressed in Hong Kong dollars)

	Notes	Six months ended 31 August	
		2023 \$'000 (unaudited)	2022 \$'000 (unaudited)
<b>Revenue</b>	5	<b>90,201</b>	81,991
Other income	6	<b>1,774</b>	2,060
<b>Operating income</b>		<b>91,975</b>	84,051
Other operating expenses	7(b)	<b>(27,146)</b>	(26,735)
Charge for impairment loss on loan receivables		<b>(2,462)</b>	–
<b>Profit from operations</b>		<b>62,367</b>	57,316
Finance costs	7(a)	<b>(3,035)</b>	(4,632)
<b>Profit before taxation</b>		<b>59,332</b>	52,684
Income tax	8	<b>(9,684)</b>	(8,564)
<b>Profit and total comprehensive income for the period attributable to shareholders</b>		<b>49,648</b>	44,120
<b>Earnings per share (in HK cents)</b>	9	<b>2.6</b>	2.3

## Condensed Consolidated Statement of Financial Position

as at 31 August 2023

(Expressed in Hong Kong dollars)

		<b>31 August</b>	28 February
		<b>2023</b>	2023
	<i>Notes</i>	<b>\$'000</b>	\$'000
		<b>(unaudited)</b>	(audited)
<b>Non-current assets</b>			
Plant and equipment		<b>1,793</b>	2,036
Right-of-use assets	<i>10</i>	<b>11,916</b>	14,719
Loan receivables	<i>11</i>	<b>38,733</b>	67,926
Other receivables	<i>12</i>	<b>2,291</b>	3,463
Deferred tax assets		<b>516</b>	109
		<hr/> <b>55,249</b>	<hr/> 88,253
<b>Current assets</b>			
Repossessed assets		<b>10,768</b>	10,226
Loan receivables	<i>11</i>	<b>1,022,365</b>	885,304
Other receivables	<i>12</i>	<b>8,718</b>	7,340
Cash and cash equivalents	<i>13</i>	<b>91,481</b>	162,447
		<hr/> <b>1,133,332</b>	<hr/> 1,065,317
<b>Current liabilities</b>			
Accruals and other payables	<i>14</i>	<b>8,167</b>	5,487
Bank loans and overdrafts	<i>15</i>	<b>10,196</b>	10,060
Lease liabilities	<i>10</i>	<b>6,452</b>	7,803
Loans from the immediate holding company	<i>16</i>	<b>47,500</b>	47,500
Debt securities issued	<i>17</i>	<b>21,992</b>	11,993
Tax payable		<b>14,162</b>	6,972
		<hr/> <b>108,469</b>	<hr/> 89,815
<b>Net current assets</b>		<hr/> <b>1,024,863</b>	<hr/> 975,502
<b>Total assets less current liabilities</b>		<hr/> <b>1,080,112</b>	<hr/> 1,063,755

		<b>31 August</b>	28 February
		<b>2023</b>	2023
	<i>Notes</i>	<b>\$'000</b>	<b>\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current liabilities</b>			
Debt securities issued	<i>17</i>	<b>10,987</b>	25,973
Lease liabilities	<i>10</i>	<b>6,199</b>	7,737
		<u><b>17,186</b></u>	<u>33,710</u>
<b>NET ASSETS</b>		<u><b>1,062,926</b></u>	<u>1,030,045</u>
<b>CAPITAL AND RESERVES</b>			
Capital	<i>18</i>	<b>19,272</b>	19,272
Reserves		<u><b>1,043,654</b></u>	<u>1,010,773</u>
<b>TOTAL EQUITY</b>		<u><b>1,062,926</b></u>	<u>1,030,045</u>

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 August 2023

(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
<b>At 28 February 2023 and 1 March 2023 (audited)</b>	<u>19,272</u>	<u>14,303</u>	<u>44,963</u>	<u>2,112</u>	<u>12,001</u>	<u>937,394</u>	<u>1,030,045</u>
Profit and total comprehensive income	-	-	-	-	-	49,648	49,648
Final dividend declared and paid in respect of previous year ( <i>note 18(b)</i> )	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,767)</u>	<u>(16,767)</u>
<b>At 31 August 2023 (unaudited)</b>	<u><u>19,272</u></u>	<u><u>14,303</u></u>	<u><u>44,963</u></u>	<u><u>2,112</u></u>	<u><u>12,001</u></u>	<u><u>970,275</u></u>	<u><u>1,062,926</u></u>
<b>At 28 February 2022 and 1 March 2022 (audited)</b>	<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 ( <i>note 18(b)</i> )	-	-	-	-	-	(7,137)	(7,137)
Final dividend declared and paid in respect of previous year ( <i>note 18(b)</i> )	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,683)</u>	<u>(13,683)</u>
<b>At 31 August 2022 (unaudited)</b>	<u><u>19,277</u></u>	<u><u>14,417</u></u>	<u><u>44,963</u></u>	<u><u>2,107</u></u>	<u><u>12,001</u></u>	<u><u>913,137</u></u>	<u><u>1,005,902</u></u>

## Condensed Consolidated Statement of Cash Flows

for the six months ended 31 August 2023

(Expressed in Hong Kong dollars)

	<b>Six months ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Operating activities</b>		
Operating cash flows before changes in working capital	<b>69,418</b>	60,630
Increase in loan receivables	<b>(110,338)</b>	(130,932)
Other cash flows generated from operations	<b>1,914</b>	5,419
	<hr/>	<hr/>
<b>Cash used in operations</b>	<b>(39,006)</b>	(64,883)
Hong Kong Profits Tax paid	<b>(2,901)</b>	(4,439)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(41,907)</b>	(69,322)
	<hr/>	<hr/>
<b>Investing activities</b>		
Payment for the purchase of plant and equipment	<b>(122)</b>	(9)
Other cash flows generated from investing activities	<b>308</b>	44
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	<b>186</b>	35
	<hr/>	<hr/>
<b>Financing activities</b>		
Dividends paid	<b>(16,767)</b>	(20,820)
Repayments of debt securities	<b>(5,000)</b>	(17,000)
Repayments of principal on lease liabilities	<b>(4,610)</b>	(3,786)
Finance costs paid	<b>(2,566)</b>	(4,162)
Repayments of interest on lease liabilities	<b>(438)</b>	(539)
Repayments of bank loans	–	(3,000)
Payment of purchase of own shares	–	(309)
New bank loans raised	–	10,000
Government subsidy received	–	799
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(29,381)</b>	(38,817)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(71,102)</b>	(108,104)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the beginning of period (note 13)</b>	<b>162,387</b>	206,630
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of period (note 13)</b>	<b>91,285</b>	98,526
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of components of cash and cash equivalents:</b>		
Bank balances and cash (note 13)	<b>91,481</b>	112,640
Bank overdrafts (note 13)	<b>(196)</b>	(14,114)
	<hr/>	<hr/>
	<b>91,285</b>	98,526
	<hr/> <hr/>	<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 2023 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 2023 are presented in Hong Kong dollars (“**HKD**” or “**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 2023 except as described below.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 March 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, the application of the new and 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.

### **Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies**

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim financial statements. The amendments are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements for the year ending 29 February 2024.

### **Impact on application of Amendments to HKAS 8 – Definition of Accounting Estimates**

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the interim condensed consolidated financial statements of the Group.

### **Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments to HKAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The amendments had no impact on the interim condensed consolidated financial statements of the Group.

## **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	
	2023 \$'000 (unaudited)	2022 \$'000 (unaudited)
Revenue from pawn loan business		
– Interest income from pawn loan receivables at FVPL	31,589	26,862
– Interest income from pawn loan receivables calculated using the effective interest method	4,710	7,681
– Gain on disposal of repossessed assets	3,917	2,141
	<u>40,216</u>	<u>36,684</u>
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	49,985	45,307
Total	<u>90,201</u>	<u>81,991</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 2023 amounted to HK\$30.2 million (six months ended 31 August 2022: HK\$21.6 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	
	2023	2022
	\$'000	\$'000
	(unaudited)	(unaudited)
Credit related fee income	623	310
Rental income	801	277
Bank interest income	308	44
Others	42	19
Government subsidy ( <i>Note a</i> )	–	799
COVID-19-related rent concession ( <i>Note b</i> )	–	611
	<u>1,774</u>	<u>2,060</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. No such subsidy has been granted during the six months ended 31 August 2023.
- (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	
	2023	2022
	\$'000	\$'000
	(unaudited)	(unaudited)
<b>(a) Finance costs</b>		
Interest on debt securities issued	964	2,368
Interest on loans from the immediate holding company	1,197	1,197
Interest on bank loans and overdrafts	436	528
Interest on lease liabilities	438	539
	<u>3,035</u>	<u>4,632</u>

	<b>Six months ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>(b) Other operating expenses</b>		
Premises and equipment expenses excluding depreciation		
– rental of premises	1,453	2,054
– maintenance, repairs and others	635	432
	<u>2,088</u>	<u>2,486</u>
Depreciation of plant and equipment	365	252
Depreciation of right-of-use assets	4,524	4,514
Net losses on loan receivables at FVPL	8	2
Staff costs	13,688	13,021
Advertising expenses	976	1,208
Auditor's remuneration	475	425
Bank charges	1,127	1,140
Legal and professional fees	1,220	1,066
Others	2,675	2,621
	<u>25,058</u>	<u>24,249</u>
	<u><u>27,146</u></u>	<u><u>26,735</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:

	<b>Six months ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Hong Kong Profits Tax</b>		
Provision for the period		
– Current tax	10,091	8,577
<b>Deferred taxation</b>	<u>(407)</u>	<u>(13)</u>
	<u><u>9,684</u></u>	<u><u>8,564</u></u>

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

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	
	2023	2022
	\$'000	\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to shareholders of the Company	<b>49,648</b>	44,120

### Weighted average number of ordinary shares

	Six months ended 31 August	
	2023	2022
	Number of	Number of
	shares	shares
	'000	'000
	(unaudited)	(unaudited)
Issued ordinary shares at 1 March	<b>1,927,236</b>	1,928,876
Effect of purchase of own shares ( <i>note 18(a)</i> )	–	(603)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>1,927,236</b>	1,928,273

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

	<b>31 August 2023 \$'000 (unaudited)</b>	28 February 2023 \$'000 (audited)
Leased properties – buildings	<u><b>11,916</b></u>	<u>14,719</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 2023 amounted to HK\$1,721,000 (six months ended 31 August 2022: HK\$3,295,000) due to new leases of buildings.

During the six months ended 31 August 2023, 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 2023, the Group recognises rental income from subleasing right-of-use assets of approximately HK\$801,000 (six months ended 31 August 2022: HK\$277,000).

### (ii) Lease liabilities

	<b>31 August 2023 \$'000 (unaudited)</b>	28 February 2023 \$'000 (audited)
Current	<b>6,452</b>	7,803
Non-current	<u><b>6,199</b></u>	<u>7,737</u>
	<u><b>12,651</b></u>	<u>15,540</u>

**(iii) Amounts recognised in profit or loss**

	Six months ended 31 August	
	2023	2022
	\$'000	\$'000
	(unaudited)	(unaudited)
Depreciation of right-of-use assets – leased properties	4,524	4,514
Interest on lease liabilities	438	539
Expenses relating to short-term leases	1,453	2,054
Rent concession related to COVID-19 ( <i>Note</i> )	–	(611)
Income from subleasing right-of-use assets	(801)	(277)
	<u>          </u>	<u>          </u>

*Note: During the six months ended 31 August 2022, 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 have been accounted as negative variable lease payments and recognised in the profit or loss, with a corresponding adjustment to the lease liabilities.*

**(iv) Others**

During the six months ended 31 August 2023, the total cash outflow for leases amounted to approximately HK\$6,501,000 (six months ended 31 August 2022: HK\$6,379,000).

## 11 LOAN RECEIVABLES

	<b>31 August 2023 \$'000 (unaudited)</b>	28 February 2023 \$'000 (audited)
<b>Loan receivables at amortised cost:</b>		
– Pawn loans	41,277	42,225
– Accrued interests of pawn loans	729	1,199
	<u>42,006</u>	<u>43,424</u>
Less: Impairment allowance on pawn loans – Stage 3	<u>(2,462)</u>	<u>–</u>
Net pawn loan receivables	<u>39,544</u>	<u>43,424</u>
– Mortgage loans	849,097	754,491
– Accrued interests of mortgage loans	23,764	13,860
	<u>872,861</u>	<u>768,351</u>
Net mortgage loan receivables	<u>872,861</u>	<u>768,351</u>
Net loan receivables at amortised cost	<u>912,405</u>	<u>811,775</u>
<b>Loan receivables at FVPL:</b>		
– Pawn loans	<u>148,693</u>	<u>141,455</u>
<b>Total loan receivables</b>	<b>1,061,098</b>	953,230
Current portion included under current assets	<u>(1,022,365)</u>	<u>(885,304)</u>
Amounts due after one year included under non-current assets	<u><u>38,733</u></u>	<u><u>67,926</u></u>

During the six months ended 31 August 2023, impairment losses of approximately HK\$2.5 million (six months ended 31 August 2022: nil) were recognised as expense in accordance with the expected credit loss model.

## Ageing analysis

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

	<b>Pawn loans at amortised cost</b>	<b>Pawn loans at FVPL</b>	<b>Mortgage loans</b>	<b>Total</b>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>31 August 2023 (unaudited)</b>				
Not past due	20,106	145,222	593,964	759,292
Less than 1 month past due	578	2,433	60,891	63,902
1 to less than 3 months past due	503	607	25,611	26,721
3 to less than 6 months past due	20,229	431	64,241	84,901
6 months to 1 year past due	590	–	65,276	65,866
Over 1 year past due	–	–	62,878	62,878
	<u>42,006</u>	<u>148,693</u>	<u>872,861</u>	<u>1,063,560</u>
<b>28 February 2023 (audited)</b>				
Not past due	41,782	138,161	507,483	687,426
Less than 1 month past due	1,097	2,045	91,675	94,817
1 to less than 3 months past due	545	730	66,307	67,582
3 to less than 6 months past due	–	519	39,474	39,993
6 months to 1 year past due	–	–	29,957	29,957
Over 1 year past due	–	–	33,455	33,455
	<u>43,424</u>	<u>141,455</u>	<u>768,351</u>	<u>953,230</u>

At 31 August 2023, of these pawn loans at amortised cost and mortgage loans which have been past due for one month or above, except for four pawn loans at amortised cost amounted to approximately HK\$20.2 million (28 February 2023: nil) on which an allowance for expected credit loss amounting of approximately HK\$2.5 million (28 February 2023: nil) had been recognised, the respective valuations of the collaterals can fully cover the outstanding balances of these loans as at the end of reporting periods. In respect of the pawn loans at amortised cost and 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 pawn loans at amortised cost and mortgage loans.



## 12 OTHER RECEIVABLES

	<b>31 August 2023 \$'000 (unaudited)</b>	28 February 2023 \$'000 (audited)
<b>Non-current</b>		
Others	<u>2,291</u>	<u>3,463</u>
<b>Current</b>		
Deposits and payments in advance	<u>8,616</u>	7,238
Others	<u>102</u>	<u>102</u>
	<u><b>8,718</b></u>	<u>7,340</u>

All of the other receivables are not impaired as the expected loss rate is close to zero and are expected to be recovered within one year.

## 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term bank deposits for the purpose of meeting the Group's short term cash commitment, which carry interest at prevailing market rates as at 28 February 2023 and 31 August 2023.

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

	<b>31 August 2023 \$'000 (unaudited)</b>	28 February 2023 \$'000 (audited)
Cash on hand	<b>6,939</b>	5,480
Cash at banks	<u>84,542</u>	<u>156,967</u>
Cash and cash equivalents in the condensed consolidated statement of financial position	<b>91,481</b>	162,447
Bank overdrafts ( <i>note 15</i> )	<u>(196)</u>	<u>(60)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u><b>91,285</b></u>	<u>162,387</u>

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

## 14 ACCRUALS AND OTHER PAYABLES

	<b>31 August 2023 \$'000 (unaudited)</b>	28 February 2023 \$'000 (audited)
Accrued interest expense	532	514
Accrued expenses	4,505	3,091
Provision for long services payment	1,136	1,028
Other payable and deposits received	1,994	854
	<u>8,167</u>	<u>5,487</u>

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:

	<b>31 August 2023 \$'000 (unaudited)</b>	28 February 2023 \$'000 (audited)
Unsecured bank overdrafts ( <i>note a</i> )	196	60
Secured bank loans ( <i>note b</i> )	10,000	10,000
Total bank loans and overdrafts	<u>10,196</u>	<u>10,060</u>
Analysed for reporting purposes as:		
Current	<u>10,196</u>	<u>10,060</u>

*Notes:*

- (a) As at 31 August 2023, unsecured bank overdraft facilities of approximately HK\$40.5 million (28 February 2023: HK\$41.0 million) were provided to the subsidiaries and utilised to the extent as disclosed above. As at 31 August 2023, the bank overdrafts carried floating interest rate range from prime rate minus 0.75% to prime rate plus 1.5% per annum with repayment on demand clause (28 February 2023: 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\$40.3 million (28 February 2023: HK\$40.9 million) undrawn unsecured bank overdraft facilities carried floating interest rate and expiring beyond one year.

(b) As at 31 August 2023, the total secured bank revolving loan facilities of the lower of HK\$145.0 million (28 February 2023: HK\$145.0 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\$31.7 million (28 February 2023: HK\$24.4 million). The loan facility was secured by certain mortgage loan receivables for the Group with a carrying value of approximately HK\$318.1 million (28 February 2023: HK\$276.6 million). As at 31 August 2023, the bank revolving loan 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 (28 February 2023: three months HIBOR plus 3.50% per annum and one month HIBOR plus 4% per annum). As at the end of the reporting period, the bank facilities are expiring beyond from one year to three years.

As at 31 August 2023, except for the bank facilities mentioned in note (a) and note (b) above, the Group also obtained unsecured bank loan facilities of approximately HK\$20.0 million (28 February 2023: HK\$15.0 million). As at 31 August 2023, the bank loans carried floating interest rate at prime rate minus 0.75% (28 February 2023: prime rate minus 0.75%). As at the end of the reporting period, the Group has approximately HK\$20.0 million (28 February 2023: HK\$15.0 million) undrawn unsecured bank loan facility carried floating interest rate and expiring within one year.

During the period ended 31 August 2023 and year ended 28 February 2023, 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 LOANS FROM THE IMMEDIATE HOLDING COMPANY

During the six months ended 31 August 2023, the Group obtained an unsecured revolving loan facility from the immediate holding company with a facility limit of HK\$200.0 million (28 February 2023: HK\$200.0 million). The loans are interest-bearing at 5% per annum (28 February 2023: 5% per annum).

At 31 August 2023, the available loan facility after taking into consideration of the drawdown was approximately HK\$152.5 million (28 February 2023: HK\$152.5 million) and the accrued interest payable as of 31 August 2023 was approximately HK\$31,000 (28 February 2023: HK\$23,000).

## 17 DEBT SECURITIES ISSUED

	<b>31 August 2023 \$’000 (unaudited)</b>	28 February 2023 \$’000 (audited)
Current	<b>21,992</b>	11,993
Non-current	<b>10,987</b>	25,973
	<b><u>32,979</u></b>	<u>37,966</u>

The debt securities are unsecured, denominated in HK\$, interest-bearing ranging from 6% to 7% per annum (28 February 2023: 6% to 7% per annum) with interest coupon being paid semi-annually and are matured between 2024 and 2025. All debt securities issued are measured at amortised cost.

During the six months ended 31 August 2023, the Group repaid debt securities on maturity date amounting to HK\$5.0 million (six months ended 31 August 2022: HK\$17.0 million).

## 18 CAPITAL AND DIVIDENDS

### (a) Share Capital

	Par value \$	No of shares '000	Nominal value of ordinary shares \$'000
<b>Authorised:</b>			
At 1 March 2022, 31 August 2022 and 1 March 2023, 31 August 2023	0.01	100,000,000	1,000,000
<b>Issued and fully paid:</b>			
At 1 March 2022 (audited)	0.01	1,928,876	19,289
Purchase of own shares ( <i>note</i> )	0.01	(1,640)	(17)
At 28 February 2023, 1 March 2023 (audited) and 31 August 2023 (unaudited)	0.01	1,927,236	19,272

*Note:* During the year ended 28 February 2023, the Company repurchased 1,640,000 shares of the Company on The Stock Exchange with prices ranging from HK\$0.230 to HK\$0.275. The total consideration paid for these shares was approximately HK\$423,000. All these shares were cancelled by 28 February 2023. The Group did not repurchase and cancel the shares during the six months ended 31 August 2023.

For the year ended 28 February 2023

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	1,096	\$0.275	\$0.270	296
September 2022	152	\$0.249	\$0.239	36
November 2022	336	\$0.237	\$0.230	78
Total	1,640			423

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\$17,000 was transferred from share premium to the capital redemption reserve. The payments for purchase of own shares with approximately HK\$423,000 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 2023:

	<b>Six months ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interim dividend declared after the interim period of 1.04 cents per ordinary share (2022: 0.92 cents per ordinary share)	<b>20,043</b>	17,648

The interim dividend declared for the period ended 31 August 2023 will be satisfied by way of cash. The interim dividend declared for the period ended 31 August 2022 has been paid by way of cash during the year ended 28 February 2023.

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

	<b>Six months ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 0.87 cents per ordinary share (2022: 0.71 cents per ordinary share)	<b>16,767</b>	13,683

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

	<b>Six months ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
2022 Special dividend in respect of the previous financial year, approved and paid during the following interim period of 0.37 cents per ordinary share (2023: nil)	–	7,137
	<u>–</u>	<u>7,137</u>

## 19 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

	<b>Six months ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Salary and other benefits	3,942	3,697
Contributions to Mandatory Provident Fund	45	45
Others	15	15
	<u>4,002</u>	<u>3,757</u>

### (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:

	<b>Six months ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Rental payments paid to		
– Kwan Chart (Holding) Company Limited (“ <b>Kwan Chart Holding</b> ”)	480	480
– Kwan Chart Estate Company Limited (“ <b>Kwan Chart Estate</b> ”)	321	330
– Mr. Chan Chart Man	540	540
	<u>1,341</u>	<u>1,350</u>
Management fee incurred to		
– Kwan Chart Holding	20	20
	<u>20</u>	<u>20</u>

	<b>31 August 2023</b>	28 February 2023
	<b>\$'000 (unaudited)</b>	\$'000 (audited)
Rental deposits placed with		
– Kwan Chart Holding	<b>160</b>	160
– Kwan Chart Estate	<b>104</b>	110
– Mr. Chan Chart Man	<b>180</b>	180
	<u><u>          </u></u>	<u><u>          </u></u>
Management fee deposit placed with		
– Kwan Chart Estate	<b>23</b>	23
	<u><u>          </u></u>	<u><u>          </u></u>

During the periods ended 31 August 2023 and 2022, the Group entered into short term lease agreements with Kwan Chart Holding, Mr. Chan Chart Man and Kwan Chart Estate, for leasing of premises. The Directors consider that all the above related party transactions during the periods were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

*Note:* The Group entered into agreement in respect of the rental of properties from Kwan Chart Holding and Kwan Chart Estate, companies with common beneficial owners with the Company and Mr. Chan Chart Man, a director of the Company.

## 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 2023 (“**FP2024**” or “**the period**”), the interest income of the mortgage loan business of the Group increased by approximately HK\$4.7 million or 10.4% from approximately HK\$45.3 million for the six months ended 31 August 2022 (“**FP2023**”) to approximately HK\$50.0 million in FP2024, which accounted for approximately 55.4% of the Group’s total revenue. The gross mortgage loan receivable was approximately HK\$849.1 million as at 31 August 2023 with total new mortgage loans granted amounted to approximately HK\$282.7 million in FP2024. During the period, net interest margin of the mortgage loan business increased by 0.8% to 11.4% (FP2023: 10.6%). There were 52 new cases of mortgage loan transactions.

During the period, the local real estate and stock markets remained stagnant. A ‘wait and see’ attitude dominates the market as a consequence of the economic recovery and the interest rate hike in both the U.S. and Hong Kong. In response to this, the Group continued to maintain a cautious oversight of its loan portfolio, particularly on the repayment activities of its existing customers. With such effort, there was no bad debt recorded during the period. In FP2024, the loan-to-value ratio for first mortgage was approximately 54.9%, while the overall loan-to-value ratio for subordinate mortgage was approximately 54.2%, of which, loan-to-value ratio of subordinate mortgage that the Group participated in was approximately 13.3%.

### PAWN LOAN BUSINESS

During the period, the interest income generated from the pawn loan business increased by approximately HK\$1.7 million or 4.9% from approximately HK\$34.6 million in FP2023 to approximately HK\$36.3 million in FP2024. The Group recorded gain from disposal on repossessed assets of approximately HK\$3.9 million, representing an increase of 85.7%. It is mainly attributable to the prevailing gold price and stability of secondary luxury goods prices.

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. During FP2024, the Group recorded 345 pawn loan transactions with amount exceeding HK\$0.1 million. The Group recorded average loan amount of approximately HK\$10,500 per transaction (FP2023: HK\$15,000 per transaction).



## **INDUSTRY OVERVIEW**

With the prevailing interest rate environment, which adversely affects the international gold price, investor sentiment is increasingly shaped by geopolitical risks, especially the Russia-Ukraine conflict. The instability in the banking sectors of Europe and the U.S., combined with the weakening mainland Chinese property market, have also heightened risk aversion sentiments among investors. These have bolstered the demand for gold, with projections suggesting a potential return to the USD 2000 per ounce mark. Meanwhile, the secondary luxury goods market is showing signs of stability, without the pronounced highs and lows seen in the previous year. Collectively, these factors present a favorable outlook for the pawn loan industry.

The local real estate market is navigating a deceleration phase. Despite the amendment of value bands of the Ad Valorem Stamp Duty (AVD) (Scale 2 rates) applicable to residential and non-residential properties, and the further easing of Loan-to-Value (LTV) ratio for residential properties, both under construction and completed, the market has yet to witness a substantial uptick in valuations or transactional momentum. The Board remains unwavering in its commitment to prudent lending practices to ensure the stability of its credit portfolio. Meanwhile, projections indicate that the U.S., even without immediate rate hikes, is expected to maintain its existing interest rate for a prolonged period as a measure against inflation. This signals the possibility of rising interest rates in Hong Kong. The Group will keep a close eye on local and global economic trends, adjusting its mortgage loan interest rates in line with these market conditions.

## **FINANCIAL REVIEW**

### **Revenue**

Our Group's revenue increased from approximately HK\$82.0 million in FP2023 to approximately HK\$90.2 million in FP2024, representing an increase of approximately HK\$8.2 million or 10.0%. Detailed analysis of the increase in revenue during the period are as follows:

#### ***Mortgage loan business***

The increase in our interest income derived from our mortgage loan business of approximately HK\$4.7 million or 10.4% (from approximately HK\$45.3 million in FP2023 to approximately HK\$50.0 million in FP2024). The average month-end balance for the gross mortgage loans receivables increased from approximately HK\$780.2 million in FP2023 to approximately HK\$833.3 million in FP2024 and the total amount of new mortgage loan granted during FP2024 was approximately HK\$282.7 million (FP2023: approximately HK\$375.0 million).

### ***Pawn loan business***

Revenue from our pawn loan business increased from approximately HK\$36.7 million in FP2023 to approximately HK\$40.2 million in FP2024, representing an increase of approximately HK\$3.5 million or 9.5%. This was attributable to the increase in our interest income earned on our loan receivables by approximately HK\$1.7 million or 4.9% from approximately HK\$34.6 million in FP2023 to approximately HK\$36.3 million in FP2024 with the increase in gain on disposal of repossessed assets by approximately HK\$1.8 million or 85.7% from approximately HK\$2.1 million in FP2023 to approximately HK\$3.9 million in FP2024.

The increase in our interest income earned on our pawn loan receivables was primarily attributable to the increase in the average month end balance for the gross pawn loan receivables from March to August from approximately HK\$183.2 million in FP2023 to approximately HK\$190.5 million in FP2024.

Revenue from disposal of repossessed assets represents the gain/(loss) we received as we sold the repossessed assets in the event of default in repayment of our pawn loans. The increase in our gain on disposal of repossessed assets in FP2024 was mainly due to (i) the sudden significant drop of the price of brand watches in July and August 2022 while no such event happened during FP2024, and (ii) the increase in the gold price per ounce from around US\$1,800 in March 2023 to around US\$1,950 in August 2023. Since every pawn loan has a loan term of four lunar months, the revenue increased with the appreciation of gold price and the stabilization in the price of brand watches during FP2024.

### **Other revenue**

Other revenue decreased from approximately HK\$2.1 million in FP2023 to approximately HK\$1.8 million in FP2024, representing a decrease of approximately HK\$0.3 million or 14.3%, 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 while no such income was received in FP2024, netting off against the increase in our rental income, bank interest income and credit related fee income by approximately HK\$0.5 million, HK\$0.3 million and HK\$0.3 million respectively.

### **Operating expenses**

Operating expenses increased by approximately HK\$0.4 million or 1.5% from approximately HK\$26.7 million in FP2023 to approximately HK\$27.1 million in FP2024.

During FP2024, staff costs slightly increased by approximately HK\$0.7 million or 5.4% from approximately HK\$13.0 million in FP2023 to approximately HK\$13.7 million in FP2024. The increase was mainly contributed by the increase in the salaries and bonus of staff of approximately HK\$0.6 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 decreased by approximately HK\$0.6 million or 9.1% from approximately HK\$6.6 million in FP2023 to approximately HK\$6.0 million in FP2024. The decrease was mainly due to the closure of one of our pawnshops in April 2023.

Apart from staff costs, rental expenses and depreciation for right-to-use assets of approximately HK\$19.6 million and HK\$19.7 million in FP2023 and FP2024 respectively as mentioned above, other operating expenses increased by approximately HK\$0.3 million or 4.2% from approximately HK\$7.1 million in FP2023 to approximately HK\$7.4 million in FP2024, which was mainly due to the increase in legal and professional fees by approximately HK\$0.2 million.

### **Finance costs**

The finance costs decreased by approximately HK\$1.6 million or 34.8% from approximately HK\$4.6 million in FP2023 to approximately HK\$3.0 million in FP2024. It was mainly due to the decrease in debt securities issued in FP2024.

### **Charge for impairment losses on loan receivables**

The charge for impairment losses on loan receivables of approximately HK\$2.5 million in FP2024 was measured based on the requirement under HKFRS 9. The charge for impairment losses represented an impairment made to four pawn loan agreements and the management considered there is a growing likelihood of the value of the collaterals of these four loans 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 remained at approximately 16.3% in FP2023 and FP2024. No material fluctuation was noted.

### **Profit and total comprehensive income for the period**

As a result of the foregoing, our Group's profit for FP2024 increased to approximately HK\$49.6 million from approximately HK\$44.1 million in FP2023, representing an increase of approximately HK\$5.5 million or 12.5%.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group adopts a prudent funding and treasury policy and maintained a healthy financial position during FP2024. During FP2024, 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 FP2024, 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 2023, 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; (ii) the aggregate principal amount of the mortgage loan receivables of a subsidiary; and/or (iii) a corporate guarantee executed by the Company. During FP2024, the Group had fulfilled all the financial covenants, if any, under the Group's banking facilities.

As at 31 August 2023, 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 2023, the debt securities issued bore interest at 6% to 7%. Except for the amount which was approximate to HK\$22.0 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 2023.

As at 31 August 2023, cash and cash equivalents, after netting off against the bank overdraft, amounted to approximately HK\$91.3 million, representing a net decrease of approximately HK\$71.1 million as compared to the position as at 28 February 2023. Cash and cash equivalents as at 31 August 2023 were all denominated in Hong Kong dollars.

For FP2024, net cash outflow from operating activities of our Group amounted to approximately HK\$41.9 million which is mainly due to the increase in our loan receivables by approximately HK\$110.3 million. The net cash outflow from financing activities of our Group amounted to approximately HK\$29.4 million for FP2024. It was mainly contributed by the dividend payment, finance costs paid and the repayment for debt securities during FP2024 which were amounted to approximately HK\$16.8 million, HK\$2.6 million and HK\$5.0 million respectively.

## **PLEDGE OF ASSETS**

As at 31 August 2023 and 28 February 2023, in order to obtain facilities to finance the Group's business, the Group had pledged its mortgage loan receivables with net book value of HK\$353.8 million and HK\$312.3 million respectively.

## **CONTINGENT LIABILITIES**

There were no significant contingent liabilities for the Group as at 31 August 2023.

## 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 FP2024. 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.

## KEY FINANCIAL RATIOS

	<b>As at 31 August 2023</b>	As at 28 February 2023
Current ratio <sup>(1)</sup>	<b>10.4x</b>	11.9x
Gearing ratio <sup>(2)</sup>	<b>8.5%</b>	9.3%
	<b>For the six months ended 31 August 2023</b>	For the six months ended 31 August 2022
Return on total assets <sup>(3)</sup>	<b>8.4%</b>	7.4%
Return on equity <sup>(4)</sup>	<b>9.3%</b>	8.8%
Net profit margin <sup>(5)</sup>	<b>55.0%</b>	53.8%
Net interest margin <sup>(6)</sup>	<b>16.3%</b>	15.6%
– pawn loan services	<b>37.7%</b>	37.1%
– mortgage loan services	<b>11.4%</b>	10.6%

### 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 11.9 times as at 28 February 2023 to 10.4 times as at 31 August 2023, which was mainly due to the decrease in cash and cash equivalent by approximately HK\$71.1 million.

### **Gearing ratio**

Our Group's gearing ratio remained stable at approximately 9.3% as at 28 February 2023 and approximately 8.5% as at 31 August 2023 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 7.4%, 8.8% and 53.8% in FP2023 to 8.4%, 9.3% and 55.0% in FP2024 respectively, which were mainly due to the increase in our net profit by approximately HK\$5.5 million in FP2024.

### **Net interest margin**

There was an increase in our net interest margin from approximately 15.6% in FP2023 to approximately 16.3% in FP2024. The reason for such an increase was mainly due to the decrease in finance cost by approximately HK\$1.6 million during FP2024.

## **PROSPECTS**

Having a strong foothold in the Hong Kong pawnbroking industry for nearly half a century, Oi Wah has consistently been at the forefront of industry innovation, with a dedicated commitment to modernizing the pawn sector. The Group has recently launched a premium service center at East Tsim Sha Tsui MTR Station of Tuen Ma Line, marking a significant milestone for our Group by establishing our presence within Hong Kong's railway system, one of the busiest and most crowded locales in the city. The design of our new store seamlessly blends modern aesthetics with traditional pawnshop features. Complemented by our cutting-edge mobile app, customers can obtain preliminary collateral evaluation, loan valuation and application of loan, etc. By digitizing the entire pawn loan application process, we offer an efficient and streamlined one-stop loan solution, catering for the evolving needs of our clients. The Board believes that the pawn industry continually adapts to meet the evolving demands of modern consumers. The Group will continue to break with tradition, introducing more innovative services for our clients.

Given the current global inflation and monetary tightening policies, various asset classes have witnessed increased volatility. Consequently, real estate-backed private credit has emerged as an alternative investment option for capital. Leveraging on our real estate expertise, Oi Wah strategically partnered with PACM Group (Holdings) Limited (“**PACM Group**”) to venture into this new business opportunity. This partnership marks our entry into the real estate private credit institutional investment management sector, with investment strategies including asset-backed direct lending, non-performing debt acquisition, acquisition financing, stretch senior financing, project financing, bridge financing and other debt related strategies within Hong Kong and overseas. The board of directors of the Company believe that the cooperation provides an invaluable opportunity for efficient allocation of resources, simultaneously aiding in the expansion of overseas market, broadening revenue sources and customer base. We firmly believe that our prudent management approach and cautious vetting process will bolster our investment management business, ensuring the protection of investor assets and maximizing returns.

## **HUMAN RESOURCES**

As at 31 August 2023, our Group had a total of 48 staff (28 February 2023: 50). The total staff costs (including directors’ emoluments) were approximately HK\$13.7 million for FP2024 (FP2023: approximately HK\$13.0 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 trainings 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 FP2024.

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 FP2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS**

Our Group did not hold any significant investments and did not engage in any material acquisitions or disposals during FP2024.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have any future plans for material investments or capital assets as at 31 August 2023.

## **CORPORATE GOVERNANCE PRACTICES**

During FP2024, the Company has adopted and complied all the code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except Code Provisions C.2.1 which 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.

## **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 FP2024.

## **REVIEW OF INTERIM RESULTS**

The Group’s condensed consolidated financial statements for the six months ended 31 August 2023 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 2023. 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.



## **INTERIM DIVIDEND**

On 26 October 2023, the Board declared an interim dividend of HK1.04 cents per ordinary share, representing approximately 40.4% of the profit attributable to the Shareholders for FP2024. The total payout for the interim dividend will amount to approximately HK\$20.0 million. The aforesaid interim dividend will be paid on 21 December 2023 to the Shareholders whose names appear on the register of members of our Company at the close of business on 7 December 2023.

## **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 4 December 2023. The register of members of our Company will be closed from 5 December 2023 to 7 December 2023, both days inclusive, during which no transfer of shares will be registered.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

In October 2023, the Group was pleased to announce that a premium service center was launched at East Tsim Sha Tsui MTR Station. The premium service center does not only provide pawn loan services, but also serves as a mortgage enquiry center of the Group. The Board believe that this can be one of the drives of the growth of the Group in the coming years.

Save as disclosed above, there was no important or significant event that affects the business of the Group subsequent to 31 August 2023.

## **PUBLICATION**

The interim results announcement of our Company for FP2024 is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.pawnshop.com.hk](http://www.pawnshop.com.hk)) respectively. The 2023 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, 26 October 2023

*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.*